THE ECONOMIC IMPORTANCE OF SEAPORTS: IS THE UNITED STATES PREPARED FOR 21ST-CENTURY TRADE REALITIES?

(112–57)

HEARING

BEFORE THE

SUBCOMMITTEE ON
WATER RESOURCES AND ENVIRONMENT

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

OCTOBER 26, 2011

Printed for the use of the
Committee on Transportation and Infrastructure

Available online at: http://www.gpo.gov/fdsys/browse/
committee.action?chamber=house&committee=transportation

U.S. GOVERNMENT PRINTING OFFICE

70–928 PDF WASHINGTON : 2012

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

JOHN L. MICA, Florida, *Chairman*

DON YOUNG, Alaska
THOMAS E. PETRI, Wisconsin
HOWARD COBLE, North Carolina
JOHN J. DUNCAN, JR., Tennessee
FRANK A. LOBIONDO, New Jersey
GARY G. MILLER, California
TIMOTHY V. JOHNSON, Illinois
SAM GRAVES, Missouri
BILL SHUSTER, Pennsylvania
SHELLEY MOORE CAPITO, West Virginia
JEAN SCHMIDT, Ohio
CANDICE S. MILLER, Michigan
DUNCAN HUNTER, California
ANDY HARRIS, Maryland
ERIC A. "RICK" CRAWFORD, Arkansas
JAIME HERRERA BEUTLER, Washington
FRANK C. GUINTA, New Hampshire
RANDY HULTGREN, Illinois
LOU BARLETTA, Pennsylvania
CHIP CRAVAACK, Minnesota
BLAKE FARENTHOLD, Texas
LARRY BUCSHON, Indiana
BILLY LONG, Missouri
BOB GIBBS, Ohio
PATRICK MEEHAN, Pennsylvania
RICHARD L. HANNA, New York
JEFFREY M. LANDRY, Louisiana
STEVE SOUTHERLAND II, Florida
JEFF DENHAM, California
JAMES LANKFORD, Oklahoma
REID J. RIBBLE, Wisconsin
CHARLES J. "CHUCK" FLEISCHMANN, Tennessee

NICK J. RAHALL II, West Virginia
PETER A. DEFAZIO, Oregon
JERRY F. COSTELLO, Illinois
ELEANOR HOLMES NORTON, District of Columbia
JERROLD NADLER, New York
CORRINE BROWN, Florida
BOB FILNER, California
EDDIE BERNICE JOHNSON, Texas
ELIJAH E. CUMMINGS, Maryland
LEONARD L. BOSWELL, Iowa
TIM HOLDEN, Pennsylvania
RICK LARSEN, Washington
MICHAEL E. CAPUANO, Massachusetts
TIMOTHY H. BISHOP, New York
MICHAEL H. MICHAUD, Maine
RUSS CARNAHAN, Missouri
GRACE F. NAPOLITANO, California
DANIEL LIPINSKI, Illinois
MAZIE K. HIRONO, Hawaii
JASON ALTMIRE, Pennsylvania
TIMOTHY J. WALZ, Minnesota
HEATH SHULER, North Carolina
STEVE COHEN, Tennessee
LAURA RICHARDSON, California
ALBIO SIRES, New Jersey
DONNA F. EDWARDS, Maryland

SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT

BOB GIBBS, Ohio, *Chairman*

DON YOUNG, Alaska
JOHN J. DUNCAN, JR., Tennessee
GARY G. MILLER, California
TIMOTHY V. JOHNSON, Illinois
BILL SHUSTER, Pennsylvania
SHELLEY MOORE CAPITO, West Virginia
CANDICE S. MILLER, Michigan
DUNCAN HUNTER, California
ANDY HARRIS, Maryland
ERIC A. "RICK" CRAWFORD, Arkansas
JAIME HERRERA BEUTLER, Washington, *Vice Chair*
CHIP CRAVAACK, Minnesota
LARRY BUCSHON, Indiana
JEFFREY M. LANDRY, Louisiana
JEFF DENHAM, California
JAMES LANKFORD, Oklahoma
REID J. RIBBLE, Wisconsin
JOHN L. MICA, Florida *(Ex Officio)*

TIMOTHY H. BISHOP, New York
JERRY F. COSTELLO, Illinois
ELEANOR HOLMES NORTON, District of Columbia
RUSS CARNAHAN, Missouri
DONNA F. EDWARDS, Maryland
CORRINE BROWN, Florida
BOB FILNER, California
EDDIE BERNICE JOHNSON, Texas
MICHAEL E. CAPUANO, Massachusetts
GRACE F. NAPOLITANO, California
JASON ALTMIRE, Pennsylvania
STEVE COHEN, Tennessee
LAURA RICHARDSON, California
MAZIE K. HIRONO, Hawaii
NICK J. RAHALL II, West Virginia *(Ex Officio)*

CONTENTS

U.S. House of Representatives
Committee on Transportation and Infrastructure

John L. Mica
Chairman

Washington, DC 20515

Nick J. Rahall, II
Ranking Member

James W. Coon II, Chief of Staff

James H. Zoia, Democrat Chief of Staff

October 21, 2011

MEMORANDUM

TO: Members of the Subcommittee on Water Resources and Environment

FR: Bob Gibbs
Subcommittee Chairman

RE: Hearing on "The Economic Importance of Seaports: Is the United States Prepared for 21st Century Trade Realities?"

PURPOSE OF HEARING

The Water Resources and Environment Subcommittee is scheduled to meet on Wednesday, October 26, 2011, at 10:00 a.m. in 2167 RHOB, to receive testimony from the U.S. Army Corps of Engineers, and representatives from the ports, the maritime industry, and port customers, to hear testimony on "The Economic Importance of Seaports: Is the United States Prepared for 21st Century Trade Realities?"

BACKGROUND

In today's global economy, maritime trade is a valuable component of our nation's daily life, economy, and future. From ancient Phoenicians to expansive colonial European empires, maritime trade has shaped economies, governments, and societies throughout history. America, rich with natural resources and raw materials, has been a major global trade presence from its founding. Engineering advances ranging from the steam engine to the intermodal container have made maritime trade into what it is today – the cheapest, greenest, and most common form of global trade.

The benefits of waterborne trade are derived from its resource efficiency. Each mode of freight transportation has its own costs and benefits, but waterborne shipping stands out as the most resource efficient when compared to truck, train, or air transportation. According to the US Army Corps of Engineers' (Corps) Institute for Water Resources, per-unit cost of transport is half or even two-thirds less than other cargo transport options. Although roads and rail can reach where ships and barges cannot both forms of transportation use much more fuel and move fewer tons than waterborne trade. In fact, according to the World Shipping Council, if all the containers from an 11,000 Twenty Foot Equivalent (TEU) ship were loaded onto a train, it would need to be 44 miles long. Additionally, the efficiency of waterborne transportation mitigates landside congestion and pollution.

Maritime shipping remains the preferred method of moving goods in the international market throughout the world. Airplanes, the only other option for intercontinental trade, move goods quickly but are hampered by relatively small capacities and high operating costs. Because of this, air cargo is almost exclusively used for the transportation of small, time-sensitive goods. The Corps of Engineers estimates that more than 95% of overseas trade produced or consumed by the nation moves through American ports.

The Federal government's interest in maritime trade stems from the Commerce Clause (Article 1, Section 8, Clause 3) of the U.S. Constitution, which charges the Federal government "to regulate commerce with foreign nations, and among the several states, and with the Indian tribes." The Army Corps of Engineers Civil Works Program carries out federally mandated actions supporting the nation's maritime infrastructure. One of the greatest responsibilities to support commerce is the maintenance and development of the nation's water resources.

Economic Benefit of Maritime Trade

Impacting ports, coastal regions, and consumers in both national and global economies, the economic importance of maritime trade to the United States cannot be underestimated. Nearly a third of the nation's Gross Domestic Product (GDP) is derived from international trade, the bulk of which is waterborne. According to an August 2011 letter to the Deficit Reduction Committee from the American Association of Port Authorities (AAPA), seaports themselves provide for $200 billion in federal, state, and local tax revenue each year. Thirty million jobs are directly related to international trade, with the U.S. maritime industry alone providing 13 million jobs throughout the country. According to the United States Department of Agriculture (USDA), U.S. agricultural exports, which in FY 2009 reached $96.6 billion, generate an additional $135 billion in supporting business activity in the transportation, distribution, food processing and manufacturing sectors. The Economic Research Service of the USDA notes that for every dollar of goods exported, this creates another $1.36 in supporting activities. Overall, the AAPA research finds that maritime trade creates $2 trillion of commerce annually in the United States. In addition, the federal government collects billions of dollars annually in tariffs and duties from port activities.

Marine ports are economic engines to their regions. For example, the Port of New Orleans supports economies not only around the Gulf of Mexico but throughout the entire

Mississippi River Valley. The inland waterway system, as well as intermodal connectors from across the country, bring agricultural products, mined resources, and other valuable raw materials to the Port of New Orleans and the global market. According to Port Director Gary LaGrange in testimony before the Subcommittee, The Port itself employs thousands of employees, and the activity of that port alone supports 380,000 jobs across the region. On the East coast, the expanding Port of Savannah is responsible for 7% of the state of Georgia's total employment.

Economically, transportation costs are not absorbed by shippers or retailers but are instead passed on to the consumer. Impediments to shipping increase costs and consumer prices. Maritime shipping allows for a wide spectrum of goods from across the world to reach the American consumer. According to a study conducted by the International Chamber of Shipping (ICS) and the International Shipping Federation (ISF), the shipping price of consumer goods shipped over water is generally between just 1% and 2% of the shelf price. Logistical factors that raise transportation costs include ships being forced to carry lighter and less valuable loads in order to accommodate un-and under-dredged channels; being marooned by tidal changes because of shallow channels, inefficient cargo handling at the port; and slow, congested landside transportation. At just six feet, the proposed depth in the deepening the Port of Savannah channels from 42 feet to 48 feet would result in 15% to 20% cheaper shipping costs on goods that pass through it. Naturally, one of the many benefits to investments in maritime infrastructure is reduced consumer good prices and therefore an overall positive economic impact.

Environmental Benefits

Maritime trade is also environmentally friendly. Cargo ships at sea do the work of trains and trucks, but use less fossil fuel and have lower emissions. According to a 2007 study of total emissions conducted by a working group of the International Maritime Organization, international maritime shipping accounts for only 2.7% of annual global greenhouse gas emissions. In fact, a bottle of wine shipped from France to New York has a smaller carbon foot print of one shipped over land from California. The Corps of Engineers, charged with maintaining and developing the nation's navigation channels, balances this responsibility with environmental restoration projects. An example of this is the use of dredged material to create protected coastal sanctuaries for fish and wildlife.

Past Shipping Trends

Trends in shipping reflect overall international trade and economic trends. The recession decreased consumer spending and the demand for imported goods, which in turn reduced international trade. The economic downturn of the past few years impacted maritime trade as it did all modes of freight transportation. Despite these factors, the comparatively low cost of this type of waterborne shipping makes it an attractive option as the economy began its slow recovery and personal consumption expenditures increased. According to the AAPA, in the first half of 2011, the U.S. imported 25% more industrial supplies and non-crude oil materials compared to the first quarter of 2010. Even as the industry has been tested in the recent past, new challenges lay ahead.

Future Industry Challenges

The future expansion of the Panama Canal presents unique opportunities and challenges for the maritime trade industry. For almost the past hundred years, the depth and width of the Canal has capped the size of ships that may traverse it and ultimately reach Gulf and Atlantic ports from the Pacific. These ships are referred to as Panamax ships and have a capacity of around 4,500 TEU. Ships larger than the Canal capacity are referred to as Post Panamax and can carry up to 12,500 TEU. Today, Post Panamax ships with cargo destined for the United States from Asia utilize West Coast ports where they unload goods to be transported eastward by overland methods. The large scale ships provide significant cost to operators, greater profit margins and are becoming more prevalent. A report published by the Panama Canal Authority notes that half of the liner construction orders to major ship builders to be completed between 2006 and 2011 year were for Post Panamax ships.

When the Canal expansion is complete in 2014, Post Panamax ships from the Pacific will be able to engage in maritime trade with U.S. Gulf and Atlantic ports via the Canal. Trade routes will change as the final lock gates open. Transportation researchers such as those at Georgia's Center of Innovation for Logistics believe that there could likely be a 25% to 30% shift in freight shipping routes from the West Coast to East Coast destinations utilizing all water routes. However, not all East Coast ports are ready for the coming traffic. On the Eastern Seaboard, only the Port of Virginia in Norfolk, VA is currently able to accommodate a Post Panamax vessel. Other ports are cued up for deepening projects or studies, but the Corps' resources are limited and this increases the timelines for navigation projects.

At two-and-a-half times the size of their Panamax counterparts, the arrival of Post Panamax ships also presents landside challenges to seaports. To handle the increased cargo, terminals will need to be expanded or built; workers with varieties of skills and trainings will need to be hired; streamlined Customs and Border Patrol policies may need to be implemented to handle the increased load; and intermodal connections must be improved to efficiently bring goods to market. Many ports sit in urban areas where expansion is limited and expensive. Additionally, port and local traffic compete for space on highways, slowing down the commute for everyone. Inadequate infrastructure at ports can greatly diminish the cost effectiveness of maritime shipping. In order to stay competitive and take advantage of the economic boom posed by larger shipments, supply chain infrastructure investments must be made.

Previous shipping routes have made the Pacific coast ports the busiest in the nation, but this is likely to be challenged in the coming years as more efficient options become available. Vessels that were too large to reach destinations beyond the Canal have made Pacific gateways the nation's busiest ports based on containerized trade handled per year. Five of the country's top ten ports (Los Angeles, Long Beach, Oakland, Seattle and Tacoma), including two of the top twenty container ports in the world, are located on the West coast. The expected shift in routes may reduce traffic to these ports, although it will be somewhat mitigated by an overall increase in global trade. Also ports in California, Oregon and Washington are facing competition with the state-of-the-art and aggressively expanding Port of Prince Rupert in British Columbia. Advanced throughput capabilities at that port mean that goods can impressively reach Chicago in less than 100 hours. Both marine and landside infrastructure development at American ports is required to stay globally competitive.

As Canada has no Harbor Maintenance Tax, shippers could realize an average $137 savings per container by moving cargo through Canada. The U.S. Federal Maritime Commission plans to study diversion of cargo typically destined for the United States through the Port of Prince Rupert. The agency is responding to a request from members of Congress from the West Coast to study the impact of Prince Rupert, Canada taking cargo bound for America from Los Angeles, Long Beach, Oakland, Seattle and other ports. This complex issue involving the Harbor Maintenance Tax, weaker container inspections, and the subsidy of cargo rail moves through Canada to the U.S. border near Chicago will likely have significant impacts on the nation's ports as well.

Nation's Exports

In his State of the Union Address in January 2010, President Obama announced the creation of the National Export Initiative (NEI), codifying this with an executive order signed in March 2010. The order is designed "to enhance and coordinate Federal efforts to facilitate the creation of jobs in the United States through the promotion of exports, and to ensure the effective use of Federal resources in support of these goals." The goal is to double exports in the next five years. It creates an Export Initiatives Cabinet made up of administration officials that work in coordination with the Trade Promotion Coordinating Committee (TPCC), an entity created in 1993. Trade agreements, small business promotion, financing policies, and transportation logistics are all areas the cabinet will address to reduce barriers to exportation.

According to the U.S. Committee on Marine Transportation Systems, many Federal agencies, commissions, and offices within the executive branch have a role in marine commerce. Some of the entities related to waterborne transportation include, but are not limited to: the Department of Transportation, Maritime Administration, Army Corps of Engineers, St. Lawrence Seaway Development Cooperation, U.S. Coast Guard, Federal Maritime Commission, National Oceanic and Atmospheric Administration, National Transportation Safety Board, Department of Commerce, Department of Justice, Department of Agriculture, Department of Interior, Bureau of Ocean Energy Management and Regulation Enforcement, Military Sealift Command, U.S. Customs and Border Patrol and Environmental Protection Agency. Each must coordinate with each other and partner with the private sector in order to achieve the President's goal.

In 2010 U.S. exports supported 9.2 million in American jobs and some estimates show that one in three manufacturing jobs depend on exports. According to the Office of the United States Trade Representative, agricultural exports supported more than 950,000 jobs on and off farms in 2010.

The demand for American exports is real. According to the Chamber of Commerce's research 95% of the world's consumers and 73% of purchasing power lie beyond our borders. New trade partners in developing nations such as India, Brazil and Indonesia purchased 53% of U.S. exports in 2010. Diverse international trade ensures that even as various regions go through economic difficulties, American exporters will always have customers. For instance, the International Trade Administration notes that in 2009, a bleak economic year for many industries including those supporting international trade, exports to the small country of Vietnam grew by 11%. Our trade with Vietnam and other small developing nations has continued to develop even as the entire international industry has begun to recover from the recession. Today the United States exports a variety of goods including manufactured parts, agricultural products and high-tech components. Raw materials are a major export item, and commodities such as liquefied natural gas could grow as a segment of the export economy as exploration and excavation develop.

According to the international firm McKinsey, the Chinese middle class will grow from 80 million in 2007 to 700 million by 2020. These new customers will be purchasing goods from all over the world. Goldman Sachs predicts that the middle class in Brazil, Russia, India, and China will grow from 250 million in 2005 to 3.5 billion by 2050. The nations that are most efficient at delivering their products to these exploding markets will win this business and bring jobs back home.

Infrastructure Investment

Investing in ports not only creates jobs during the construction period, but supports wider and long lasting opportunities. Knowing the value of maritime trade, localities and port authorities have invested in the infrastructure of their ports. The AAPA finds that American ports are investing $2 billion annually in marine terminal capital improvements. The Port of New Orleans has spent $400 million in recent years on landside improvements that make it more efficient and attractive to shippers. Acknowledging that 12% of the country's international containers pass under the Bayonne Bridge, The Port Authority of New York and New Jersey have pledged $1 billion toward the bridge retrofit that will allow for Post Panamax ships to sail under it and into the Atlantic Coast's busiest port. The cost benefit analysis of the project estimates that this single project will provide a $3.3 billion dollar annual national benefit. Local investments optimize existing infrastructure and increases port efficiency; however, many projects are required to utilize Federal funds and processes.

The operation and maintenance of shipping channels is paid for by the Harbor Maintenance Trust Fund (HMTF), which is funded from a .125% ad valorum tax levied on cargo imports at American ports. The HMTF is a user fee that grows based on the value of cargo coming to ports. These monies pay for the necessary dredging that keeps navigation channels open for business. In fiscal year 2010, the HMTF grew by $1.3

billion; however, only $828,550,000 was spent in total operations of the fund as the balance was diverted to deficit spending. Because the HMTF is not 'off-book' on paper there is a balance, however the reality is that all of the balance has been used to offset other government spending. Because of this inequitable allocation, many of the country's most valuable navigation channels are under maintained, reducing the cost effectiveness and efficiency of maritime trade.

While some FY 2012 presidential budget requests reflect goals of the NEI, in the areas of navigation there appears to be a disconnect between the production of exports and the transportation of exports overseas. The International Trade Administration request was $526 million towards the administration costs of implementation. Thirty million dollars of Small Business Administration grants are to be disbursed to states to support export activities. Transportation is addressed in the President's budget request with a sweeping surface transportation authorization request and $70.5 billion to fund the Federal Highway Administration. However, maritime trade, the most prevalent form of exportation, does not receive as much funding necessary to support a significant development much less doubling exports.

The President's Army Corps of Engineers Civil Works program appropriation request in the Administration's FY 2012 budget submittal is $4.631 billion, which is approximately 6.1% below the annualized Continuing Resolution for FY 2011 of $4.929 billion. These funds are distributed to the many missions of the Corps civil works program including investigations, construction, operations and maintenance, levee safety, flood control and environmental restoration. The Corps budget has a profound effect on waterborne commerce as it shoulders the bulk of coastal infrastructure development and operation and maintenance activities. Unlike surface transportation funding, there is no Federal credit assistance programs for the construction, operation and maintenance of ports' navigation channels. Even local ports with willing investors are often required to wait on Federal appropriations to pursue needed projects. Two accounts within the budget of the Corps have significant impact on maritime trade:

Construction – The President's budget requests $1.48 billion for the Construction account. This is $210 million less than the FY 2011 annualized Continuing Resolution of $1.69 billion. These funds are used for the construction of river and harbor, flood damage reduction, shore protection, environmental restoration, and related projects specifically authorized or made available for selection by law. Almost half of this budget request is for flood damage reduction projects. However, more alarming is that approximately $470 million are for ecosystem restoration projects that provide little or no economic benefits, while navigation projects would only receive $280 million.

Operation and Maintenance – The President's budget also requests $2.314 billion for expenses necessary for the preservation, operation, maintenance, and care of existing river and harbor, flood control and related projects. This is $47 million less than the FY 2011 annualized Continuing Resolution of $2.361 billion.

The budget would use only $691 million from the Harbor Maintenance Trust Fund resulting in an increase in the estimated balance from $6.12 billion to $6.93 billion at the end of FY 2012. In addition, while proposing paltry amounts be appropriated from the Harbor Maintenance Trust Fund, the President's budget proposes to expand the authorized purposes of the fund for activities not typically associated with the Corps of Engineers maintenance of navigation channels.

Among the persistent barriers to trade, only one-third of the nation's federal navigation projects are currently at their authorized depths and widths, and 8 out of the nation's 10 largest ports are not at their authorized depths and widths. Exporters are required to wait for high tide to get out of port or are forced to ship in lighter loads. This reality is especially burdensome for the many raw material exporters whose products are heavy and whose ships require deeper drafts.

Overall, the President's proposal does not address some of the nation's most profound infrastructure needs. It does not direct Congress to pursue multiyear reauthorizations that provide stability and predictable funding to projects. Developing world-class infrastructure cannot be hurried to completion in two years to comply with a truncated funding schedule. Even beyond funding, a transportation infrastructure bill could include no cost policy changes that would support maritime trade. The proposed legislation does not streamline the permitting processes, an action that would expedite valuable projects. Permit backlog delays the timeline for construction and increases costs associated with navigation projects that could promote maritime trade. Also, legislation that would support maritime trade would allow non-federal project sponsors to supply more capital to navigation projects without having to wait on the appropriations process. Re-authorizations, permanent policy changes, and regulatory reduction would unlock private capital and hasten project completion, benefitting maritime trade and the economy as a whole.

Witnesses

The Honorable Jo Ellen Darcy, Assistant Secretary of the Army-Civil Works, United States Department of the Army

Jerry Bridges, Chairman of the Board, American Association of Port Authorities

Christopher Koch, President, World Shipping Council

Paul Anderson, Chief Executive Officer, Jacksonville Port Authority

Omar Benjamin, Executive Director, Port of Oakland

William Friedman, President and Chief Executive Officer, Cleveland-Cuyahoga County Port Authority

Mr. Peter Peyton
President, ILWU Marine Clerks Association

THE ECONOMIC IMPORTANCE OF SEAPORTS: IS THE UNITED STATES PREPARED FOR 21ST-CENTURY TRADE REALITIES?

WEDNESDAY, OCTOBER 26, 2011

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:06 a.m., in Room 2167, Rayburn House Office Building, Hon. Bob Gibbs (Chairman of the subcommittee) presiding.

Mr. GIBBS. Good morning. The water and environment subcommittee will come to order. Welcome.

Today we are having a hearing on the economic importance of seaports, and if the United States is prepared for 21st-century trade realities. And I will start my opening statement.

While 95 percent of the Nation's imports and exports go through the Nation's ports, waterborne commerce is, by far, the Nation's most ignored mode of transportation. Nearly a third of the Nation's gross domestic product is derived from international trade, the bulk of which is waterborne. With more of our economy expected to be dependent on international trade in the coming decades, we must begin to prepare our infrastructure for the future.

Our integrated system of highways, railways, airways, and waterways has efficiently moved freight in this Nation. But as we enter a new era of increased trade among our worldwide trading partners, the Nation's navigation system has struggled to keep pace. While the ports themselves have done an admirable job of investing in landslide improvements and enhanced intermodal connections, the Federal Government has all but ignored the Nation's navigation channels, the gateways to the world markets.

In May 2010, the President proposed an export initiative that aims to double the Nation's exports over the next 5 years. However, the Corps of Engineers' navigation budget was slashed by 22 percent over the previous 5 years, and the President, only requesting $691 million for the Harbor Maintenance Trust Fund expenditure, the export initiative will not be a success.

In addition, the President's request of a little over $280 million for construction of new navigation projects, this is almost the same amount as requested for recreation projects, and almost half of what is requested for ecosystem restoration projects.

Only if our ports and waterways are at their authorized depths and widths will products be able to move to their overseas destinations in an efficient and economical manner. Since only 2 of the Nation's 10 largest ports are at their authorized depths and widths, the President's budget does nothing to ensure our competitiveness in world markets. Transportation savings are a key factor in economic growth. But an inefficient transportation system will make U.S. products uncompetitive in world markets. And if the transportation costs go up, the competitiveness on American products in the world market goes down.

So, addressing the infrastructure needs of the Nation's ports is not about economic benefits to a few shipping companies, it's about keeping American farms and businesses competitive, and growing American jobs.

For a tiny percentage of the $1 trillion failed stimulus program of 2009, or the $450 billion jobs program recently suggested by the administration, we could spend approximately $1.5 billion annually in the Harbor Maintenance Trust Fund for its intended purposes to ensure the Nation's ports are at their federally authorized depths and widths. Instead, the administration, through its proposed budget, states that 35 percent of the channel's availability is adequate to ensuring America's products are competitive overseas. Unless the issue of channel maintenance is addressed, and—the unreliability and unresponsiveness of the entire intermodal system will slow economic growth and threaten national security.

I am a fiscal conservative, but I still believe it is necessary to invest in America's transportation, infrastructure, and to stimulate the economy and keep it strong. Unlike a lot of Government spending, investing in transportation provides a positive economic return on investment. We need to make investments in our maritime infrastructure, and other investments that will multiply jobs throughout the economy. Many of the recent suggestions that come from the administration and elsewhere call for expenditures on projects that simply create short-term construction jobs with little or no economic benefit coming from the project being built.

I welcome our witnesses to the hearing today, and look forward to hearing from each of you. And now I would yield to Mr. Bishop, our ranking member, for any remarks he might have.

Mr. BISHOP. Thank you very much, Mr. Chairman, for holding this hearing on the economic importance of our Nation's seaports. I could not agree more with the premise of this hearing. Seaports are the critical hub of exports leaving and entering the United States. Nothing could be more important to our trading and economic balance than to ensure that our seaports are prepared to handle cargo and create jobs.

Twice in the last 5 months we have held hearings on issues in legislation associated with our maritime and inland waterway systems. We have heard from witness after witness about the importance of maintaining our waterway transportation system. I get it. And I think we all agree that more needs to be done. The problem that I am struggling with is how we are going to meet the needs under the present constraints that we are operating under.

As I have looked over the testimony from our witnesses today, I am struck by three consistent themes. The first theme, that in order to prepare for a shipping world where the cost of shipping and the timing of getting the commodities to market, or the market drivers, we need seaports that can support the shipping carriers of the future, along with the land-side infrastructure to quickly and efficiently move the cargo from ship to rail, trucks, or airplanes, and out of the—out to the intended industries.

The second theme is that ports create jobs, lots of jobs, both directly loading and unloading ships, and indirectly, through the moving and distributing of the commodities from port to destination. If the seaports lose capacity, or cannot handle the bigger container ships, then ships and jobs go away to Canada, Mexico, or other ports that will support them.

The third theme is that we need to find a more efficient and timely way to fund and support our seaports. The Harbor Maintenance Trust Fund, the U.S. Army Corps of Engineers operation and maintenance, and Corps construction programs, along with private partners, have historically stood together to find ways to meet the seaport needs of our country. This is where I'm having the problem.

Under the 112th Congress, the Republican majority pushed to cut over $500 million, or 10 percent, in fiscal year 2011 from an already-strained Corps budget. Included with this overall cut, H.R. 1, which was passed—which passed the House of Representatives, proposed to reduce the Corps construction account by over 16.8 percent over the previous fiscal year's level.

The fiscal year 2012 budget follows the same trend. The House passed funding bill for the Corps further reduces the level of funding for the Corps by 11.5 percent, when compared to fiscal year 2010 levels, including a remarkable cut of 20.5 percent to the Corps' construction account. I have heard my majority colleagues suggest that somehow the Corps should be doing more with less. However, I don't understand how shifting money around without having the discussion about the overall impact of the Corps budget is good for anybody. Someone's ox is going to get gored.

Contrast this with the recent jobs proposal of President Obama, which calls for an increase in investment for our Nation's infrastructure, including its wastewater and drinking water infrastructure, as well as commercial ports, levees, and projects on the inland waterway system. We need to get our ship back on an even keel, with leadership, sound policy, and investments in the programs and infrastructure that keeps our country moving forward.

I hope that today we can all concur in our support for increasing expenditures from the Harbor Maintenance Trust Fund. That seems to be without question. However, the broader agreement does not address the reality that unless we increase the overall investment in the Corps of Engineers, we cannot increase the funding for harbor dredging and channel maintenance, without impacting other Corps construction or maintenance or restoration projects. The mantra of doing more with less makes for a great bumper sticker, but makes for terrible public policy, especially when considering the large number of jobs and the impact to our Nation's economy. We simply can't have it both ways.

We all understand the terrible spot we are in with the national financial picture. It is not pretty, and it will not be fixed overnight. I would contend that doing more with less with respect to our seaports and waterway infrastructure harms our Nation and makes the outcome we all seek—that is to say, fiscal sustainability—more elusive for several reasons.

First, it directly impacts millions of jobs across the Nation, by one count potentially jeopardizing over 13 million jobs.

Second, it has substantial negative impact on local economies and the bottom line of industries, including both large and small businesses, and the employees they support.

Lastly, it reduces our Nation's ability to compete in a global trade economy.

I am glad we are having this conversation today, because it allows us to highlight the problem that we are having, our inability to have an open and expansive dialogue on how we move forward from the quagmire we find ourselves stuck in. While we bicker about congressional earmarks and cutting back on all forms of regulation and agency budgets, the seaports continue to silt in, our shipping channels continue to shoal and narrow, and our infrastructure falls apart from age and neglect.

The result is that more and more of the shippers of the world are looking to other countries to move their goods and services. We have to prepare for the future world of shipping and seaports. We have to protect our economy and our jobs. We have to think smarter and more strategically, in terms of integrating sea shipping with rail, roads, and air distribution systems. We cannot do this without having an integrative and strategic approach. To do otherwise would be, in my opinion, foolish and a real waste of an opportunity to provide the public with the leadership they are demanding.

I stand ready to have that discussion, and encourage my colleagues and the administration to sit down and get to solving the problem, rather than just arguing about our problems and pointing fingers with respect to who caused them.

I yield back the balance of my time.

Mr. GIBBS. Representative Shuster for an opening statement?

Mr. SHUSTER. Thank you, Mr. Chairman. I will be real brief. I appreciate all the witnesses being here today, and look forward to hearing from them, but I also want to thank the chairman and the ranking member for holding this hearing.

And, as the ranking member said, our ports are extremely critical to the well-being of this Nation. When you're talking about trade, you think about the ports, but also the connection of the ports to the rest of the Nation. And I know I've been to the Port of Los Angeles, the Port of Houston, and places up and down the east coast. And for instance, the Port of Los Angeles, about 40 percent of our goods come in there, and a third of them—almost a third of them—go east to the Mississippi. I don't have a port, per se, in my district, but of course, the ports of this Nation serve my district, whether we are importing or exporting.

So it is extremely important that we are not only looking at our ports, but how they connect to the rest of the United States, to make sure that it is a system, it is a national system that we can have a movement of goods that are unimpeded across this Nation, whether it is highways, rail, inland waterways, all extremely important.

I think also an important component of this is to streamline. And I know that there are some, like the ranking member—with all due respect, doing more with less is possible. And, in fact, I believe it is the first step we need to do, is to do more with less. I am all for doing more with more, but there are some here that want to do less with more, more money, and we have all the same regulations. We are not going to do more; we are going to have the bureaucracy and the lawyers in this country continue to gobble up more of our money.

So, we need to streamline first. Let's get the streamlining in place so that we can do more with less. And at some point, again, I think we can all come together and say, "Let's do more with more."

So, with that, Mr. Chairman, thanks for holding this hearing, and I yield back.

Mr. GIBBS. Representative Napolitano, proceed.

Mrs. NAPOLITANO. Thank you, Mr. Chairman. And thank yourself, Chairman Gibbs, and Ranking Member Bishop, for holding this hearing.

And I agree with my colleague, Ranking Member Bishop. We must invest in our ports.

The Harbor Maintenance Trust Fund is an important tool to rebuild our harbor infrastructure. The intent of it is for shippers to pay a fee that is spent—supposed to be spent—on maintaining the harbors that the shippers use. Unfortunately, that is not the case. It is not operating in a fair or equitable manner.

The harbors must pay into the trust fund—they pay in to receive a very small fraction in return to maintain their harbors. The top 10 harbors in the U.S. collect 70 percent of the trust fund revenues, although they receive only 16 percent of those expenditures. This inequality has led to the busiest U.S. harbors that pay the most into the system being drastically undermaintained, and we are facing a loss to Canada and Mexico in the meantime, especially as the new super-tankers are requesting ports that are not maintained sufficiently to allow them to berth.

The U.S. Army Corps of Engineers estimates that the Nation's busiest 59 ports are maintained to only 35 percent of authorized depth. The situation can increase the cost of shipping as vessels carry less cargo in order to reduce their draft, or they wait for high tide before transitioning into a harbor. This can also increase the risk of a ship grounding or a collision, possibly resulting in an oil spill.

According to CRS, only 30 to 45 percent of these revenues are being spent in harbors that shippers even use. Assessing a fee on shippers and then distributing the revenues mostly or entirely for the benefit of other users undermines the trust fund and its intended use, and the user fee concept.

Our Los Angeles and Long Beach harbors, which—both are not in my area, but that's the Alameda Corridor that goes right through my area—receive less than 1 percent of the funds they pay into the system. Mr. Chair, 1 percent is not exactly equity.

Seattle and Tacoma receive about 1 percent of the funds they pay into the system. The harbors of New York, Boston, Houston, receive less than 25 percent of the funds they pay into this system.

And they end up going to the competitor ports. This situation is incredibly unfair. This would be as if the Government assessed a fee on McDonald's and gave the money to Burger King to build better restaurants. We must fix the problem. Money shippers pay into the fund should be spent entirely on maintaining the harbors they are—use.

Additionally, we should also expand the in-water uses of the Harbor Maintenance Trust Fund. Those funds should pay for harbors over 45 feet in depth, if those harbors are financing the fund. The fund should pay for berth dredging, as well.

There are many issues concerning this, and I trust that we will continue to look at this, and maybe get a little bit better equity for those harbors that actually need it to be able to continue bringing business to the U.S. ports, instead of going to other ports throughout the Nation—or I mean throughout the world.

I thank you. And I am talking about Mexico and Canada. Mr. Chair and Ranking Member, thank you again, and I yield back.

Mr. GIBBS. Representative Richardson?

Ms. RICHARDSON. Thank you, Mr. Chairman. First of all, I want to welcome Mr. Peyton, who is from my district. It is always good to see you here, and we are looking forward to your testimony, and the insight, that you are going to help this committee, as we go forward.

Mr. Chairman, I want to thank you for convening this hearing to look at the preparedness of our Nation's seaports, and the economic implications.

One of my top priorities since I've been in Congress has always been to ensure that our country's ability to move goods is second to none. Forty percent of all the goods entering or leaving this country travel through my district. I doubt that there is a more transportation-intensive area in this entire country. With three new recently signed free trade agreements only stresses the point that we need to invest in our Nation's seaport infrastructure.

It is also kind of ironic that we had the recent introduction of the Mexican truck pilot program, as well. And with the definite oncoming of the Panama canal and many of the other areas, for us not to be having a serious discussion of how we can remain competitive in this marketplace is a mistake.

I will tell you that seaport infrastructure is particularly important, because when you consider the port complexes that I reside in, nothing is more important than being able to move the goods through, and to keep people working, and to do that in a safe environment for our community.

Time and time again, we have fought for reforms to allow our Nation's infrastructure to become a top-tier system for the movement of goods, while we watch China and many other countries make huge investments while we fight for pennies of an increase on a gas tax.

I concur with my colleagues of must having reform having to do with the Harbor Maintenance Trust Fund, which is clearly not working, and the funds are not being utilized in the intent of what it was originated. When you have groups like the Chamber of Commerce, the American Council of Engineering Companies, the National Transportation Policy Center, ILWU, Associated General

Contractors of America, American Public Transportation Association, and the American Association of State Highways all calling for proper funding for infrastructure, and when this Congress fails to do so, something is wrong.

We need to focus on looking at not only the funding mechanisms, which is critical, but a commitment by this committee that we move forward on the transportation bill, and properly fund the programs that are going to help us move the goods throughout this country.

As I get ready to close, I also want to speak to, in this committee, looking at how the—for example, we have Mr. Peyton here, who is with us today, and also with the port authorities, of how some of the jobs that are being done in the ports are first responders, as well, and your role in security with the seaports, and how we might better assist you in being able to be prepared for that.

With that, Mr. Chairman, I thank you for the work that you have already shown, and we look forward to really passing a bill that can be helpful and can allow our seaports to be competitive. I yield back the balance of my time.

Mr. GIBBS. Thank you. A little housekeeping here. I ask unanimous consent for a statement from the South Carolina Ports Authority to be included in the record.

[No response.]

Mr. GIBBS. Hearing none, so ordered.

[The information follows:]

South Carolina Ports

South Carolina Ports Authority
Barbara L. Melvin
VP, Government Relations
Mobile: 843-514-9205 - bmelvin@scspa.com

Written Testimony Submitted by the South Carolina State Ports Authority

House Transportation and Infrastructure Committee: "The Economic Importance of Seaports: Is the United States Prepared for 21st Century Trade Realities?"
October 26, 2011

To the esteemed members of the House Transportation and Infrastructure Committee, I thank you for the opportunity to submit written testimony for your consideration. My name is James I. Newsome III, and I am the CEO of the South Carolina Ports Authority in Charleston, South Carolina. Given the nature of my responsibilities, my comments will focus mainly on US East Coast ports and the significant issues they are facing. My comments are based on my experience in my current role, as well as my previous role as the North American CEO of one of the major global container shipping lines where I accrued over 20 years of experience in the industry.

To appropriately address this subject, I must first identify the major trade realities facing East Coast ports. These are:

- Expansion of the Panama Canal in August 2014;
- The ordering and deployment of large container ships;
    - By the end of 2014, more than 1,200 new and larger ships will begin to replace the current fleet traveling through the Panama Canal.
- Growth in exports due to faster growth in emerging economies, as well as a renewed focus on US exports;
- The scarcity of funds available to deepen harbors; and
- The strong need for a national port strategy.

The expansion of the Panama Canal in 2014 will increase the number of large container ships traveling between Asia and the US East Coast. In fact, the Panama Canal Authority is investing $5.25 billion in the belief that the US East Coast route from Asia has further growth potential. Today, only 28 percent of the cargo from Asia travels to the US East Coast via the Panama Canal. Meanwhile, 70 percent of the US population lives east of the Mississippi River. Import cargo from Asia moves to where people live.

Global logistics is a cost game, and we share the belief that the expansion of the Panama Canal will lead to the further growth of cargo share to the US East Coast, in addition to normal market growth. Ocean carriers are already responding to the expansion and the general fact that costs can be reduced through larger units of production by ordering larger ships. The amount and size of vessels ordered in the last two years have exceeded any expectation held in industry circles. Most notably, Maersk Line, the world's largest container shipping company, ordered 20 18,000 TEU ships, including an option for 10 more. Competing lines responded by ordering a number of ships over 10,000 TEUs, in

South Carolina Ports

South Carolina Ports Authority
Barbara L. Melvin
VP, Government Relations
Mobile: 843-514-9205 - bmelvin@scspa.com

many cases replacing previous orders for 8,000 TEU ships to achieve further scale economies.

In our customer visits, we have learned that lines who have not yet acted are, almost without exception, planning orders for 13,000 to 16,000 TEU ships. While the largest ships may well serve the Asia-Europe trade, such deployment of new, large ships will drive a cascading effect which, in our view, will mean that 8,000 to10,000 TEU ships will become the workhorses of the East Coast within a few years. We already see 8,000 to 9,000 TEU ships today in Charleston. These come and go via the Suez Canal. The ships have a draft (the amount of depth below the water line) of 48 feet when fully loaded with export cargo, which we can only currently accommodate two hours a day. With the requisite under-keel clearance, this translates into a harbor requirement of 50 to 52 feet to handle such ships without restriction.

The ports of New York, Baltimore, Norfolk and Miami are either at or are authorized to achieve 50-feet harbors today. South Atlantic ports are regional ports and at least one South Atlantic port needs to be authorized to handle 8,000 to 10,000 TEU ships without tidal restriction. This is important as the Panama Canal works on an appointment system and container ships need to leave the last harbor prior to Panama Canal passage (typically a South Atlantic port on the East Coast) without restriction in order to make their appointment.

It is generally accepted that export cargo will be the new growth area for ports. Our national economy is forecasted to experience modest growth in the foreseeable future, while emerging markets, especially China and Vietnam, will see much faster growth through the emergence of a burgeoning middle class with an appetite for "rising standard of living" products, such as US agriculture. The Obama administration has promoted doubling US exports over the next five years as a way to drive our country's economic growth.

This is a proper strategy given the relatively small share of GDP (less than 15 percent) exported by the United States. Export cargo is significantly heavier than import cargo, as it is predominantly raw materials and basic finished products. This is particularly the case in the Southeast, which has one of the most robust manufacturing areas in the country and is responsible for a large amount of export cargo to emerging markets. Heavy cargo further exacerbates the deadweight dilemma for shipping lines and the harbor depth dilemma for ports as this heavy cargo requires deeper harbor depth to fill ships. This is not so much of an issue today as the Panama Canal is restricted to 40 feet of draft, which is less than most East Coast ports; however, it will be a huge issue when the Panama Canal achieves 50 feet or more of draft capability in 2014.

No South Atlantic port will be able to achieve a Post 45-Ft. harbor in time for the Panama Canal expansion and there are seriously different fundamentals in the capability and cost-effectiveness of South Atlantic ports to accomplish this depth. Any ship calling the East Coast in the future must, almost by definition, leave a South Atlantic load port as the last

South Carolina Ports

South Carolina Ports Authority
Barbara L. Melvin
VP, Government Relations
Mobile: 843-514-9205 - bmelvin@scspa.com

port prior to the Panama Canal passage given the rich export base in the Southeast. This underscores the need for deeper harbors at these ports in order to ensure that ships headed back to the Panama Canal are at full capacity.

Finally, and perhaps most importantly, every port wants a deep water harbor; however, it is not in the national interest to make this a reality due to the scarce resources at hand for the federal government.

Deepening projects should be viewed no differently than investment decisions in the private sector that have limited capital budgets or funds. They should be prioritized on rigorous cost/benefit criteria that take into account the most benefit to a region for the least cost, most expedient timeframe, and most environmental compatibility for our nation.

Unlike West Coast ports, where ships may call at maximum one or two ports, ships serving East Coast ports will call a North Atlantic port, as well as a Mid-Atlantic port and a South Atlantic port on an Asia-US East Coast itinerary. Therefore, one South Atlantic port must quickly achieve the same or even slightly greater depth parameters as ports in the North Atlantic and Mid-Atlantic to allow shipping lines and their cargo customers to maximize the economic advantage of full ships. Choices have to be made along with a commitment to a fast track deepening process by the US Army Corps of Engineers, which allows the realization of these capabilities. It should not take longer to deepen a harbor in our country than it does to accomplish a major civil works project like the Panama Canal expansion. The US Army Corps of Engineers is prepared to move faster if empowered and, in fact, directed to develop clear priorities as to regional interests.

I would like to thank the committee for the opportunity to submit our viewpoint and am available to answer any questions.

Additionally, I ask that Committee members carefully consider supporting the following provisions in the Senate Energy & Water appropriations bill described below, as the first step toward addressing the modernization of ports and creating a national port vision:

$10.5 million for Coastal and Deep Draft Navigation (new account) under General Investigations and supporting report language:
Additional Funding for Ongoing Work – The Committee recommendation includes additional funds above the budget request to continue ongoing studies. The Committee recommends that these funds be used to accelerate high-priority flood control, storm damage reduction, navigation, and environmental restoration studies. The Committee recommends that priority in allocating these funds should be towards completing on-going studies or for accelerating studies which will enhance the Nation's economic development, job growth and international competitiveness or for areas that have suffered recent natural disasters.

South Carolina Ports

South Carolina Ports Authority
Barbara L. Melvin
VP, Government Relations
Mobile: 843-514-9205 - bmelvin@scspa.com

$45 million in Operations and Maintenance

- $30 million for Small, Remote or Subsistence Harbor Maintenance
- $15 million for Inland Navigation Channel Maintenance

And supporting report language:

Additional Funding for Ongoing Work – The Committee recommendation includes additional funds above the budget request to continue ongoing projects and activities. The Committee is concerned that the administration criteria for navigation maintenance, does not allow small, remote, or subsistence harbors to properly compete for scarce navigation maintenance funds. The Committee urges the Corps to revise the criteria used for determining which navigation maintenance projects are funded to account for the economic impact that these projects provide to local and regional economies. The Committee recommends that priority in allocating these funds should be towards completing ongoing work maintaining harbors and shipping channels, particularly where there is a US Coast Guard presence, or that will enhance national, regional, or local economic development, and promote job growth and international competitiveness or for critical backlog maintenance activities.

Report language: National Port Planning

Institute for Water Resources – This institute performs studies and analyses, and develops planning techniques for the management and development of the Nation's water resources. Within the funds provided, the Institute for Water Resources is directed to submit to the Senate Appropriations Committee within 180 days of enactment of this act, a vision on how the Nation should address the critical need for port and inland waterway modernization to accommodate the post-Panamax vessels that currently transit the Suez Canal and will soon take advantage of the Panama Canal Expansion. Factors for consideration within the vision include the costs associated with deepening and widening deep-draft harbors; the ability of the waterways and ports to enhance the Nation's export initiatives benefitting the agricultural and manufacturing sectors; the current and projected population trends that distinguish regional ports and ports which are immediately adjacent to large population centers; and the environmental impacts resulting from the modernization of inland waterways and deep-draft ports.

Mr. GIBBS. Well, I want to welcome our panelists. I will just quickly introduce them, and then we will start.

We have Honorable Secretary of Army Works, Jo-Ellen Darcy. We have Mr. Jerry Bridges, the chairman of the board of the American Association of Port Authorities; Christopher Koch, president of the World Shipping Council; Paul Anderson, the chief executive officer of the Jacksonville Port Authority; Omar Benjamin, the executive director of the Port of Oakland; and William Friedman, president and chief executive officer of the Cleveland-Cuyahoga County Port Authority. And that is Cleveland, Ohio. Welcome. And Mr. Peter Peyton, he is president of the ILWU Marine Clerks Association.

Welcome. And, Ms. Darcy, the floor is yours.

TESTIMONY OF THE HONORABLE JO-ELLEN DARCY, ASSISTANT SECRETARY OF THE ARMY (CIVIL WORKS), UNITED STATES DEPARTMENT OF THE ARMY; JERRY A. BRIDGES, CHAIRMAN OF THE BOARD, AMERICAN ASSOCIATION OF PORT AUTHORITIES; CHRISTOPHER KOCH, PRESIDENT AND CHIEF EXECUTIVE OFFICER, WORLD SHIPPING COUNCIL; A. PAUL ANDERSON, CHIEF EXECUTIVE OFFICER, JACKSONVILLE PORT AUTHORITY; OMAR R. BENJAMIN, EXECUTIVE DIRECTOR, PORT OF OAKLAND; WILLIAM D. FRIEDMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY; AND PETER PEYTON, PRESIDENT, ILWU MARINE CLERKS ASSOCIATION LOCAL 63

Ms. DARCY. Thank you, Mr. Chairman and distinguished members of the subcommittee. I want to thank you for the opportunity to testify on the economic importance of our seaports in preparation for the 21st-century trade realities.

The Corps of Engineers facilitates commercial navigation by providing support for safe, reliable, highly cost-effective and environmentally sustainable waterborne transportation systems. To this end, the Corps invests over $1.5 billion annually, roughly one-third of the total budget for the Civil Works Program, to study, construct, replace, rehabilitate, operate, and maintain commercial navigation infrastructure for approximately 13,000 miles of coastal channels and 12,000 miles of inland waterways.

Our coastal ports contribute to the Nation's economic competitiveness, as well as to State and local governments' economic development and job creation efforts. They handle over 2 billion tons of commerce annually, including over 70 percent of the imported oil and more than 48 percent of goods purchased by American consumers.

In some cases, the dredging of Federal navigation channels also provides environmental benefits, where the dredged material is used to create, preserve, or restore wetlands, islands, or other habitats.

We are working with the Department of Transportation to improve decisionmaking on Federal investments in coastal navigation infrastructure through better coordination. For example, the Department of Transportation has provided information on previous years' selected TIGER Grant recipients to the Corps, which we are considering as part of the Civil Works budget preparation. Similarly, the Department of Transportation has invited Corps technical experts to advise them during the upcoming review process for the 2011 TIGER Grant selections.

Many of the world's shipping companies are constructing larger, more efficient container vessels that require channel depths from 50 to 55 feet. The new Panama Canal locks are scheduled for completion in 2014 and will increase the permissible draft of vessels transiting the Panama Canal from 39.5 feet to 50 feet.

On the Atlantic Coast, the United States now has two 50-foot-deep ports capable of receiving these ships: Norfolk and Baltimore. The Corps expects to complete deepening of the Port of New York and New Jersey to 50 feet by the year 2014. The Corps is also working with the Port of Miami, which is financing a project to deepen the Federal channel to 50 feet. The ports of Los Angeles, Long Beach, Oakland, Seattle, and Tacoma also have depths of 50 feet or greater.

The United States also has several other ports with depths of 45 feet on the Atlantic, Pacific, and gulf coasts, which will be able to accommodate such vessels when they are less than fully loaded.

The President's fiscal year 2012 budget includes $65 million for the ongoing deepening of the Port of New York and New Jersey, $42 million for construction or expansion of dredged material placement facilities at the ports of Norfolk, Savannah, Jacksonville, and Tampa, in order to continue the maintenance of the deep draft channels serving these ports. And we have $600,000 for preconstruction engineering and design for the proposed deepening of the channel in Savannah Harbor.

The Corps is also working with 10 ports on the Atlantic and gulf coast to evaluate proposals to deepen or widen their channels. The Civil Works Program to date is focused on the operation, maintenance, repair, and replacement of major navigation, flood control, and hydropower infrastructure systems, and the restoration of aquatic ecosystems that past Corps projects have affected. The overall budget for the program is primarily devoted to maintaining these systems, so they can continue to provide economic, environmental, and social benefits to the Nation.

The fiscal year 2012 budget for the Corps includes $758 million from the Harbor Maintenance Trust Fund to support the maintenance of our coastal harbors and their channels, and related work, including maintenance dredging. This is comparable to the enacted fiscal year 2011 level. To make the best use of these funds, the Corps evaluates and establishes priorities, using objective criteria, including transportation cost savings, risk reduction, and improved reliability, all relative to the cost.

Consequently, maintenance work generally is focused more on the most heavily used commercial channels, which together, carry about 90 percent of the total commercial cargo traveling through our coastal ports. However, many ports will experience draft limitations on vessels due to channel conditions at least during part of the year.

In summary, the Corps supports commercial navigation by providing for safe, reliable, highly cost-effective and environmentally sustainable waterborne transportation systems. Through the Corps and other Federal agencies, the administration is investing in our ports. As part of the administration's broader strategy of economic growth for our Nation, the Corps has been working to deepen and widen several of our ports.

Mr. Chairman and members of the committee, I look forward to working with the subcommittee on these issues. Thank you.

Mr. GIBBS. Mr. Bridges, welcome. The floor is yours.

Mr. BRIDGES. Thank you, Chairman Gibbs and members of the subcommittee, for this opportunity to testify on the economic importance of seaports to trade, and how the United States can be poised for future growth.

Today's discussion is very timely, as Congress debates how to create jobs while controlling Government spending over the next decade. I am here today on behalf of the American Association of Port Authorities, where I serve as chairman of the board. We were founded over 100 years ago. AAPA promotes the common interests of ports and provides leadership on trade, transportation, and environment.

Since the birth of our Nation, U.S. seaports and waterways have served as a vital economic lifeline, delivering prosperity to our Nation. Today ports move 99 percent of our country's overseas cargo. International trade account for more than a quarter of the American domestic gross product. For every $1 billion in exports shipped through seaports, 15,000 U.S. jobs are created.

As we recover from the current economic downturn, we must make investments today to address future trade realities. We face many challenges and many opportunities, such as the expansion of the Panama Canal, the growth in ship size, the hemispheric competition related to imports, exports, and maritime jobs, the growth—the goal of increasing U.S. exports, new trade agreements, and the 30 percent growth in U.S. population.

So, are we ready? I am not sure. The ports are planning for the future, but the Federal Government has, unfortunately, not kept pace. The Federal Government has a unique constitutional responsibility to maintain and improve infrastructure that enables the flow of commerce, and much of that infrastructure in and around seaports have been neglected for too long. Many of our land and water connections are insufficient and outdated, affecting the port's ability to move cargo efficiently. This diminishes U.S. business, hurts U.S. workers, and impairs our national economy.

So, what must we do? The Federal Government must make funding of dredging a higher priority. Number two, Congress must pass a surface transportation bill with more funding for ports, freight, and land-side infrastructure, including TIGER programs. And Congress must not cut or eliminate port security grant programs, environmental programs that benefit ports.

I will focus the remainder of my time on U.S. dredging programs, since this is within the jurisdiction of this subcommittee.

Federal investments are needed to modernize and maintain Federal navigational channels. As you know, port users currently pay 100 percent of the cost to maintain our harbors through collections of the Harbor Maintenance Tax and cost sharing formulas. While the President's fiscal year 2012 budget calls for $758 million for harbor maintenance dredging, the trust fund revenues for fiscal year 2011 was $1.48 billion. Revenue is almost double what is currently being spent. This is truly unfair taxation, especially since fewer navigational channels are at their authorized depth or width. This injustice must be corrected.

We encourage you to work with congressional leadership on the permanent HMT solution, not only encourage for use, but also provide the funds to make this a reality.

We also encourage you to weigh in on the House appropriators who are currently considering the 8 percent decrease in this year's maintenance budget, despite the large and growing surplus in the Harbor Maintenance Tax fund.

Another troubling trend impacting our preparedness for future challenges is the time it takes to complete new projects. This new norm is decades, and costs rise with each delay. Impediments include long, slow approval process and small amount of available funding to reduce—that has reduced the Corps' capability to provide full services to ports. Port modernization must become a higher priority; today the most cost-effective way to move cargo is on the American marine highway. Federal investments should encourage this.

Our Nation's ports are at a defining moment, facing enormous challenges and opportunities. Ports are making necessary investments to build and maintain world class maritime facilities in a transportation system to support U.S. jobs, our global competitiveness, and our economy. We need our Federal partner to make this vital commitment also.

We commend you and your staff for drafting the maritime title for the surface bill, and it includes several provisions that will aid getting projects done more quickly. We urge your committee to serve as advocates for port infrastructure, and meet challenges of today and tomorrow. Thank you.

Mr. GIBBS. Thank you. Mr. Koch, welcome. The floor is yours.

Mr. KOCH. Thank you, Mr. Chairman. On behalf of the World Shipping Council, which represents the liner shipping industry—the ocean carriers that carry much of the Nation's commerce, we appreciate the subcommittee's review of these issues today. I have given a more complete set of comments in my written testimony. I won't try to repeat that here. There is a common set of themes I think you will hear from the panel's testimony today, and I will try not to be redundant with those, either.

There is not a single issue involved in addressing the questions you are trying to deal with today. The chart that I put in my statement illustrates that where the private sector owns the Nation's critical transportation infrastructure, there is generally not an existing capacity problem or shortage of necessary investment capital, despite the enormous capital requirements. The ports are investing, terminal operators have invested, rail carriers have invested, ocean carriers have invested. The capacity problems tend to rise more often with those portions of the critical infrastructure that are owned by the Government, such as locks and dams, harbor channels, and the efficient connections for freight to the national highway system.

There is a lot of variability that one deals with in trying to plan for the future. The recession of 2008 and the economic doldrums we have been in have actually bought us some time because volumes today still are not what they were at in 2008. But, for the long term, there is no question what we have to do as a Nation. We have to invest in the infrastructure necessary to support future population growth, and future economic growth.

In my testimony, as requested by the staff, I have addressed a number of questions that arise in trying to figure out what the effect of the Panama Canal's new locks will be on the port infrastructure system, and the services that call there. I won't repeat those, but will be happy to answer any questions, should the subcommittee have those later on.

What I would simply like to summarize is that today some ports' infrastructure clearly can accommodate large vessels being built, and more will be able to accommodate these ships when current dredging expansion projects are complete. The major U.S. east coast and gulf ports are in various stages of readiness to handle larger ships and the larger volumes with approved highway and rail intermodal connections. Mr. Bridges' port in Virginia is the most ready of the east coast ports.

But the Army Corps of Engineers port deepening program is an important part of future infrastructure capacity. The Nation's major ports are critical enablers of the economic health of the country, and their ability to continue serving in that role and handling the growth of the American economy should not be impaired by aspersions they are inappropriate earmarks, aspersions that undermine an otherwise appropriate funding process.

That portion of the critical maritime infrastructure that the Government owns, including the highway connections, deserves the subcommittee's and the Congress' continued attention and investment. The committee's continued efforts to enact a long-term highway reauthorization bill that includes due recognition of freight transportation, and the committee's continued support for the Army Corps of Engineers channel deepening and maintenance projects are both important to making sure that American commerce will continue to have efficient and competitive access to world markets. Thank you, Mr. Chairman.

Mr. GIBBS. Thank you.

Mr. Anderson, welcome. Proceed.

Mr. ANDERSON. Thank you, Chairman Gibbs, Ranking Member Bishop, and the distinguished members of the subcommittee. It is really an honor today to speak on this subject, having an indepth perspective on today's hearing as a former Federal maritime commissioner and as the current CEO of Jacksonville, Florida Port Authority, known as JAXPORT.

First, I commend Chairman Mica and Ranking Member Rahall for their leadership in looking at improving the health of America's seaports, and working to ensure our gateways will support the economic health of our Nation's ports for generations to come.

U.S. seaports play a critical role. More than 13 million Americans work in international trade, trade accounting for more than a quarter of the U.S. gross domestic product. Nearly all of that cargo, imports and exports, is carried by ship. With volumes expected to double in the next 20 years, we must step up investment in our ports today. This growth will not be experienced equally across the American seaport regions of the Pacific, the gulf, and the east coast.

Mounting economic pressures have shippers demanding more efficient networks, new trade routes focused on the U.S. east coast, expansion of the Panama Canal, and innovations and logistics are influencing the movement of cargo in dynamic ways.

JAXPORT and north Florida region are at the center of these trends. Our new MOL TraPac container terminal is ready—is already serving container ships sailing through both the Panama and the Suez Canals, and has doubled our capacity to handle containers. Once Hanjin Shipping Company of Seoul, Korea, opens its own container terminal, JAXPORT will have tripled its container handling capacity in one short decade, adding 90,000 jobs to a region with double-digit unemployment today.

However, TraPac does not offer the Federal channel depth required by the larger ships it serves, so they come in light-loaded. This means fewer cargo moves, fewer jobs, higher transportation costs, costs that are passed on to the American consumer. Without a deep harbor, it will be incredibly difficult for TraPac to maximize their $200 million investment. Hanjin stands ready to invest an additional $300 million in private sector dollars, but continues to wait, also wondering if America will commit to investing in its own waterways.

I have serious doubts that we will be ready for the larger ships, because of the delays in the Nation's process and overarching regulatory process, including the U.S. Army Corps of Engineers, and also here in Congress. I can tell you from first-hand frustrating experience, harbor project sponsors wade through an approval, authorization, and appropriation process that is muddy, at best, and face constantly changing requirements, making it nearly impossible to move forward. Our country can clearly do this better, especially when American jobs and competitiveness are at stake.

I propose a multifront attack on this challenge, along with the American Association of Port Authorities and my fellow colleagues here today. We have helped develop recommendations for expediting the Corps process. We need to insist that those changes be adopted and adhered to.

Further, I urge the passage of H.R. 104. You've heard from every witness up here today on the Harbor Maintenance Trust Fund, so I will pass on commenting further.

I also ask that you support proposed language in the surface transportation bill which will seek to streamline the process for getting port projects done.

For whatever reason, it has rarely resonated with our Federal leadership that our economy is inescapably linked to our waterways and international trade. We are so accustomed to our reliable delivery system for goods that we take it for granted. If our consumer products get stuck on the docks because we lack the infrastructure to move them—or worse, because of a catastrophic failure—from lack of strategic investment, such as the bridge collapse in Minnesota in 2007, it will be unforgivable.

With strategic investment now, our national recovery will come by sea. Are we going to increase export volumes in the next decade? How will we move that cargo without investing significantly in our Nation's gateway infrastructure?

Harbor improvements are not pork barrel, and they are not legislative gifts. The Nation's deep water port system is fundamental to our country's long-term economic health. To realize the maximum positive impact, we must start investing in our gateway infrastructure. We must be building the ports of the future today.

Thank you for the opportunity to testify.

Mr. GIBBS. Thank you. Mr. Friedman, welcome.

Mr. FRIEDMAN. Thank you, Chairman Gibbs and members of the committee, for this opportunity to come before you on this critical topic.

For nearly 25 years, I have worked at tidewater and inland ports and on real estate development tied to the global supply chain. I am here today representing the Cleveland port only, but I believe my views are consistent with those of maritime professionals throughout the Great Lakes St. Lawrence Seaway region.

First, let me thank you and your colleagues for initiating several bills that are critically needed in the Great Lakes and nationally. These are H.R. 2840, the Commercial Vessel Discharges Reform Act of 2011; H.R. 1533, the Short Sea Shipping Act of 2011; and H.R. 104, the Realize America's Maritime Promise Act. All 3 bills would better prepare our port and others for 21st-century trade realities.

The Great Lakes St. Lawrence Seaway system is a major economic resource and trade corridor with vast, unrealized potential. It provides direct waterborne connections between our manufacturing and agricultural heartland, and the global marketplace. An economic benefit study released just last week documents the value of the Great Lakes St. Lawrence Seaway system. On the U.S. side alone, system shipping generates 128,000 jobs, $9.6 billion annually in personal income, $18.1 billion annually in business revenue, and more than $2.6 billion annually in Federal, State, and local taxes.

In Greater Cleveland, maritime commerce supports almost 18,000 jobs and more than $1 billion in paychecks cashed every year. Our cargoes include raw materials and finished goods that are dependent on our maritime highways. Iron ore from Duluth is shipped on thousand-foot Great Lakes vessels to our local steel mill, the most productive, integrated steel facility in the world, and massive pieces of industrial equipment made in Ohio and neighboring States are exported from our port to the world.

Waterborne transport to and from the industrial Midwest has proven to drive down shipping costs and make exports more competitive, while easing congestion on our highways and rail networks. Yet, despite these benefits, the promise of the St. Lawrence Seaway, one of the great engineering wonders of the world, has yet to be fully realized, and both the system and our ports are vastly underutilized.

Reform of Federal regulations and policies must occur for the Great Lakes to play its intended role as a critical gateway for U.S. exports and trade.

First, we need passage of the Short Sea Shipping Act. I find it astonishing that Canada is our number one trading partner, yet virtually none of this trade is moved by water across the Great Lakes. Current law puts the Great Lakes at a disadvantage. This is why we urge passage of H.R. 1533, to put waterborne transport on an even playing field with land modes.

The lack of Federal ballast water standard also threatens current and future Great Lakes Seaway trade. As you know, ballast water discharge is regulated by two Federal agencies under two separate authorities, one of which allows States to do whatever they want. This has given rise to New York's utterly unworkable ballast water rule, which will effectively shut down seaway shipping if it goes into effect next year, jeopardizing tens of thousands of jobs. H.R. 2840, the Commercial Vessel Discharges Reform Act, will rectify this deplorable state of affairs. And again, we strongly urge its passage.

Lastly, I want to comment on dredging and the U.S. Army Corps of Engineers project delivery system. In Cleveland we are working extremely hard to plan and implement a new approach to managing material dredge from our shipping channel. In essence, we want to put sediment to beneficial use, rather than dispose of it in landfills along our downtown waterfront. We believe this approach is smarter, more efficient, and less expensive for taxpayers.

We are prepared to commit local dollars, seek contributions from private beneficiaries, and take over project management from the Corps to accomplish this. However, this Corps' authorities, rules, and practices make this a difficult and years-long process. Therefore, we urge Congress to take up a comprehensive reform of WRDA and other relevant laws to usher in 21st-century management of water resources.

We urge you to rewrite laws to first, spend 100 percent of the Harbor Maintenance Trust Fund on harbor maintenance, as H.R. 104 provides. Second, allow multiyear reauthorizations to provide for predictable funding for projects. Third, allow non-Federal sponsors to directly manage projects without waiting for project delivery by the Corps. And, fourth, substantially shorten the timeframe for Federal planning and decisionmaking on navigation and water resource projects.

We believe our ports and local sponsors are, in many cases, best positioned to manage harbor maintenance and improvement projects. This will save scarce public dollars, get projects online faster, and ultimately drive job creation by making our Nation more competitive.

Thank you again for allowing me to come before you today.

Mr. GIBBS. Thank you.

Mr. Benjamin, welcome.

Mr. BENJAMIN. Good morning. Thank you, Chairman Gibbs, Ranking Member Bishop, and committee members, for holding this hearing today to focus attention on the critical role that seaports play in our Nation's economy, and how we can support and enhance international trade opportunities. I also want to thank committee members Shuster, Richardson, along with Mica and Denham for their recent listening tour in California, and their willingness to share insight from our community.

I am Omar Benjamin, executive director of the Port of Oakland. I also serve as president of the California Association of Port Authorities, and was recently appointed to serve on the Secretary of Transportation's port advisory committee, which is part of the Marine Transportation System National Advisory Council.

The Port of Oakland is the third busiest container port on the west coast, and the fifth busiest in the Nation. We are also one of the leading export gateways for American products, especially for agricultural goods from throughout the Nation. Over $7.1 billion in U.S. agricultural products are shipped through the Port of Oakland annually, helping to maintain a nearly 50:50 ratio of import and export activity and positioning us to support national efforts to increase exports and put Americans back to work.

America's ports do not just create jobs within their local regions, but instead distribute their economic impact throughout the entire Nation. Over 70,000 jobs in the Northern California mega-region, and more than 800,000 jobs across the country are impacted by the Port of Oakland's activities.

For example, in Chairman Gibbs' home State of Ohio, $385 million worth of goods are imported and exported through the Port of Oakland, helping to generate over 3,500 local jobs in Ohio. In Ranking Member Bishop's home State of New York, Oakland's activities sustain over 25,000 jobs and $2.7 billion worth of cargo.

Through the activities of our customers and tenants, we create local, State, and national tax revenues. The Port of Oakland, however, along with our counterparts in the Pacific Northwest and the Pacific Southwest is facing unprecedented competition from our neighbors in Canada and Mexico. Both countries are developing comprehensive national freight shipping programs supported by all levels of Government, and specifically designed and tailored to divert the trade that goes through U.S. west coast ports.

Canada especially offers direct rail connections to the Midwest through the Port of Prince Rupert that allows shippers to avoid paying the Harbor Maintenance Tax, thereby creating an uneven playing field for attracting international trade. The U.S. stands to lose tax revenues and jobs if these trends continue.

The Port of Oakland, along with its sister ports in Long Beach, Los Angeles, Portland, Seattle, and Tacoma have formed the U.S. west coast collaboration to elevate the importance of U.S. west coast ports' competitiveness and address national policy concerns, such as the land border loophole I just described. Our rail labor and terminal operator partners have also joined with us to preserve job creation and economic benefits of our investments in operations.

While we recognize that the expansion of the Panama Canal will have significant implications for ports and communities throughout the Nation, we do not take for granted that expanded all-water service to the east coast will achieve the anticipated demand levels that would require dramatic readjustment of Federal maritime investment priorities.

Cargo volumes post-2014 will be dependent on numerous variables, including the impact of as-yet undisclosed transit fees through the canal. Significant additional research, and a better understanding of the supply chain needs of individual shippers will be required before any conclusion can be reached that might dictate how we spend limited Federal dollars.

What we can agree on is that all—that the improvements in rail, road, and deep water access are all critical to an effective transportation system that delivers jobs, economic growth, and long-term benefits for the region, State, and Nation. Yet what is lacking is a coordinated national goods movement strategy and funding mechanism that can address these multiple modes of transportation in a clear, consistent, and reliable manner. This coordinated Federal strategy can help prioritize spending and protect the significant Federal investments that have already been made in what are essentially national assets.

In the absence of such a strategy, the Port of Oakland and its partners are doing our part to prepare for the future, building on public-private partnerships, extending the supply chain into China, and investing in our infrastructure.

As Congress continues to contemplate and develop important transportation priorities as the surface transportation reauthorization and the water resources development legislation, I would urge you not to forget the role of ports and related goods movement partners in delivering economic growth and prosperity. We greatly appreciate the limited investment programs that seaports have recently had access to, such as the TIGER competitive grant program. But it clear that more remains to be done, and such efforts need to be expanded and made more robust, so that seaports can participate more fully in the Federal transportation funding system.

Additionally, existing streams such as the Harbor Maintenance Trust Fund must be fully unlocked, as has been mentioned by my colleagues here today.

In conclusion, we appreciate the increased focus and attention on the role of seaports in delivering economic growth. We are now working cooperatively like never before to increase cargo volumes and grow our economy. But we cannot compete and win if we do not do so in having a partner in the Federal Government. And we are ready to confront these new trade realities, but we cannot go alone. And it is only with your help will we be successful.

Thank you, and we look forward to working with you and the committee.

Mr. GIBBS. Thank you.

Mr. Peyton, welcome. The floor is yours.

Mr. PEYTON. Thank you. Mr. Chairman, thank you for inviting me to testify on behalf of our international president, Robert McEllrath, and the 65,000 members of the International Longshore and Warehouse Union, otherwise known as the ILWU. We are based in San Francisco. Our union represents longshore workers in California, Oregon, Washington, Alaska, Hawaii, Canada, and Panama, as well as warehouse, maritime, agriculture, hotel, and resort workers.

You have our written testimony; I am going to do this a little differently, because I think there has been a lot of things said, and some very good things written, but I would like to take it from another angle, and try to paint a picture, if I could.

Ten years ago I met Chris, and we met in a number of these settings. And I can say honestly that not much has changed in 10 years, in terms of the key issues that we haven't been able to answer. I will say that what we did deal with for those 10 years, up until 2009, was double-digit growth. And there was a panic, because that panic represented what at the time meant we would have to build a port the size of Oakland every year to keep up with the double-digit growth of what was happening with our cargo volumes at the time. So the panic was reversed.

But in 2009, when the bottom fell out of the economy, what happened was we didn't really look at this as a point to regroup and say, "For 10 years' worth of work, what did we learn that we need to do for supply chain management, and how can we create jobs out of that?" Instead, what we did is we went back into a hole, and we didn't go and answer the questions that we sort of recognized.

And I am going to go over a couple of these key points as we go along, but I want to just point out the word "jobs." Last night, I am listening to C–SPAN, because of the time difference here, so I wasn't sleeping really well, so I was listening to all the testimonies yesterday. Almost every testimony from every hearing was based around jobs. But here, we are in an industry that truly represents jobs, good-paying jobs, but we can't get done what we need to get done to get to those jobs.

And let me give you some examples. Right now in California there are 62 projects, 62 projects that are—almost all of them are completely funded. They are infrastructure projects that have to do with grade separations, have to do with moving cargo more effectively, 62 projects funded to represent 100,000 high-paying construction jobs that are sitting in the mud because of some various bureaucratic red tape. We can't get the things done that we need to do, if we have 62 projects that are going to move cargo more effectively and we can't get that done. It is not going to work.

So, we look at what the ports have done. The ports have done an excellent job on their side, in terms of their investment, answering the environmental needs. The railroads have done an excellent job of capital investment so they can do their part. But we haven't done a good job in answering how we get those grade separations done more quickly, to where we can have public-private investment to where it is valuable for the private entities to come into this stuff which we talk about. We haven't defined merit-based projects, which really is what it is all about. And I know Laura, in her legislation, talks about projects of national significance, and I think that is very good.

But the point here is we are dealing with something that is critical that we get right, because in a recent meeting I had with Trade Ambassador Ron Kirk he explained to me the national export initiative. He explained to me the importance of how small businesses and businesses have got to be able to compete globally, if we are going to stay in this game.

And my answer to him was, "How do we compete, if we can't move cargo effectively? How do we compete, if we don't know what the trade corridors are that are critical? How do we compete if we don't look at what Canada is doing, and we look at what they are doing with the Harbor Maintenance Tax, or against our Harbor Maintenance Tax, and we don't answer that problem? How do we compete with what the new economy of this world is going to be, and what some people recognize"—which I think the national export initiative is a very good idea. But how do we compete, if we don't look at the problems that we have been looking at for 10 years that we haven't been able to come up with answers for?

The answer is, you want jobs? It is right in front of us. You have to fund it in order to get it back. If you fund it, the numbers are all there. We have numbers that clearly show that whatever we invest in transportation comes back to us how many times folded over. We know those numbers, because we have been doing this for a long time. But we haven't answered the critical questions that need to be answered.

Multiyear funding has to happen in order for us to be able to project out as to what we have to do. Permitting processes have got to be streamlined, in order to get public-private investment, because we know the public funds are going to be fewer and harder to get.

Canada has to be answered. Harbor Maintenance Tax has got to be directed to where it is of basic projects of national significance, not just going out for the sake of politics.

So, I leave it from another point of view here because, again, as a labor person, I care about jobs but I also care about this country. I care about the fact that we stay competitive, and that we do have a national export initiative that we can successfully compete in. And I challenge us to answer the questions that, for the last 10 years, we haven't been able to answer. Thank you very much.

Mr. GIBBS. Thank you very much. I will start off with some questions. And I will start with Secretary Darcy.

It is quite evident, by the rest of the panel, how important our infrastructure is, and the need for additional funding to get the job done. And I guess I am really struck—Mr. Koch's and even Mr. Peyton's testimony, but Mr. Koch talked about critical infrastructure that is owned by the Government, such as the locks, levees—the locks, dams, and harbor channels. And I know your testimony—being adequately funded, we see the cut in the President's budget, and we see about half of the money raised actually going from the Harbor Maintenance Trust Fund.

So, my question is, how do you reconcile that? Do you think it is adequately funded, currently?

Ms. DARCY. The $758 million in the President's fiscal year 2012 budget request for the Harbor Maintenance Trust Fund is what we believe is necessary in order to maintain and operate the ports, given the competing interest that we have with other priorities within our budget constraints.

Mr. GIBBS. I see you wrote a letter to Representative Charles Boustany 9 days ago. You stated that—maintain active projects—provide greater channel availability and maintain projects. So you still concur that it is adequate funding with the $758 million?

Ms. DARCY. That is correct. I believe the question in the letter was, "What would you do with additional funding? What would you fund?"

Mr. GIBBS. So if you could—if you decided to use the rest of the Harbor Maintenance Trust Fund available dollars, what would you fund?

Ms. DARCY. Well, we are supporting the $758 million that is in the President's budget. And I think that the letter that you are referring to, which was answered by our chief of operations, outlined the other additional 300 projects that would get that additional money, if it were available.

Mr. GIBBS. OK. At an earlier hearing this year you stated that the trust fund had zero balance. And now in your testimony you say there is $6 billion. Did we find $6 billion, or is there no money there in the trust fund?

Ms. DARCY. There is a $6 billion balance in the Harbor Maintenance Trust Fund. When I testified earlier a couple of weeks ago on the Inland Waterways Trust Fund?

Mr. GIBBS. No, it was at the budget hearing. And I remember Representative Harris questioned you, and you determined that there was no money—you stated there was no money in the trust fund. And I know General Van Antwerp at the time—who is now retired—stated that there was no money in the trust fund.

So, is there $6 billion in the trust fund?

Ms. DARCY. There is a $6 billion balance in the Harbor Maintenance Trust Fund.

Mr. GIBBS. OK. Let me ask another panelist. We have had so much discussion about the need for more dredging and more infrastructure improvements, if we have $6 billion in the trust fund, can we find the projects to do what needs done? Anybody take a stab at it.

Mr. BRIDGES. Mr. Chairman, Jerry Bridges with the American Association of Port Authorities. Of course. I mean there is—with full funding of the Harbor Maintenance Tax fund, we believe that most of the dredging and maintenance needs within the United States could be covered.

Mr. ANDERSON. Yes, Mr. Chairman, I think it is imperative that our country utilize the full balance of the trust fund that we have available for maintenance dredging throughout the United States. You can speak to every one of my colleagues in America and get the same answer. And I think that it is unanimous throughout this industry, nobody is going to tell you that we don't need to draw down that. And that is why, again, we all urge the passage of H.R. 104, which would allow that to happen.

And there is a number of other Corps processes that could be streamlined and find efficiencies that would allow us to complete projects on a more timely basis to be competitive in the global marketplace. I have outlined those very clearly in approximately 10 bullet points in my written testimony on page 5. I won't repeat them, but——

Mr. GIBBS. OK. Just to follow up a little bit, Secretary Darcy, when you talk about the TIGER Grants, it is my understanding that the TIGER Grants are for infrastructure on the land.

And can you elaborate a little bit how you are coordinating with the Department of Transportation? Because I think the mission of the Corps and this Harbor Maintenance Trust Fund and your responsibilities, dredging and widening the channels—so I want to make sure that, you know, you are not ceding authority to another agency. Can you elaborate a little bit?

Ms. DARCY. Sure.

What we are doing with the Department of Transportation is a coordination effort between their TIGER Grant program and our existing authorities and existing deepening.

What we are looking at is, does it make sense to give a TIGER Grant to a port that is not a nationally significant port that is being deepened? So it is much more of a coordination. We are informing the Department of Transportation about where our efforts are, where those top 59 ports are that are being dredged, and more information for them to make an informed decision. We don't have grant authority; it is the Department of Transportation that issues those grants. It is more of an information sharing with them, as to where the——

Mr. GIBBS. OK, thank you. Mr. Friedman, I wanted to elaborate a little bit on the ballast water issue. Can you explain why it is important for a uniform standard, national standard, for ballast water?

Mr. FRIEDMAN. Yes, absolutely, Mr. Chairman. As I mentioned, today States are able to implement their own rules, which may be more stringent than the existing Federal rules. And what has happened in the Great Lakes is that New York State has done just that. There is a rule that would go into effect next year, and it requires vessels transiting New York's waters through the St. Lawrence Seaway to install ballast water treatment technology that doesn't exist. The State of California, the State of Wisconsin, and now U.S. EPA have concluded that that treatment technology is not available yet. So it is really—that is why I reference it as an unworkable rule.

And, on the other hand, the industry has been working very hard to put protocols in place that seem to be working to control the introduction of invasive species. And we are asking for a Federal uniform standard. We think that is the only way we are going to really get at this problem. Everyone wants to protect the waters in our Great Lakes, and we stand ready to do that. So, that is why we are urging passage of the——

Mr. GIBBS. One last question before I turn it over to Mr. Bishop. On dredging, I know that is an issue up at the port there in Cleveland.

Mr. FRIEDMAN. Yes.

Mr. GIBBS. Can you talk a little bit about what—your relationship with the Corps, working with the dredging schedule, and also what to do with the dredging material, who is responsible for that, and how that works?

Mr. FRIEDMAN. Right, OK. Well, when we do our annual maintenance dredging of the shipping channel in Cleveland, the dredging itself is performed by the Corps with a—utilizing a private contractor. And then it is placed in confined disposal facilities, or large landfills on our lakefront. Those will run out of capacity at some point. And when that happens, we have to have something in place to replace the capacity in those disposal facilities. So we have been going through a rather lengthy planning process with the Buffalo district of the Corps.

And our view is we need to speed that up. Our approach is we would like to reuse that material. Instead of just putting it in a landfill, we think it has value. It is soil that is being washed down the watershed, and it is now clean enough in our harbor that we can put it back on sites, as a development tool.

The problem is that the way the law is written, and the way the policies and the rules are written, it is sort of like pounding a square peg into a round hole. It is just very difficult to move through that process. And meanwhile, the clock is ticking on us, and we have to have disposal capacity. So we are just looking for ways to streamline and move toward that.

As I said, we are willing to put up local funding, if possible. We are willing to take over project management and do whatever is necessary to get it done.

Mr. GIBBS. And I am assuming most of that is a Federal law problem, and not a State?

Mr. FRIEDMAN. Yes.

Mr. GIBBS. OK. OK, thank you. Mr. Bishop?

Mr. BISHOP. Thank you very much, Mr. Chairman. I want to thank our panel for this testimony. I think it is really important that we all have the same information with respect to how the Harbor Maintenance Trust Fund actually works.

Mr. Anderson, I just heard you say that if we were to pass H.R. 104, that would allow for the full expenditure of the monies that come in to the trust fund and I guess, by implication, spending down the $6 billion that is there. Is that correct? I don't want to put words in your mouth.

Mr. ANDERSON. No. I think, Mr. Bishop, it is important that we utilize the full annual amount, not necessarily draw it down, and that is——

Mr. BISHOP. Fine.

Mr. ANDERSON [continuing]. What the trust fund is for, is to have a balance.

Mr. BISHOP. And I want to be clear on what using the full annual amount means. Right now we take in about $1.5 billion in Harbor Maintenance Taxes. We are expending somewhere between $700 million and $800 million, and this is a practice that has gone on for years, which is why we have a $6 billion balance in the trust fund.

The only way we can fully expend the $1.5 billion that comes in, given the constraints that we have voted for called the—I think it is called the Budget Protection Act, the bill that allowed for the debt limit to be increased, and it created the super committee—the Budget Control Act, I am sorry—we have now imposed statutory caps on domestic spending going forward for 10 years.

So, the only way we can fully expend the revenue that comes in to the Harbor Maintenance Trust Fund is if we seek an exemption from that cap, or if we increase the 302(b) allocation for the energy and water appropriations bill, which would mean we would do so at the expense of the 302(b) allocations for any one or some combination of the other 11 appropriations bills, or if we were to eviscerate the accounts that are in energy and water by $800 million so that we could increase the Army Corps construction account by $800 million.

So, let's be clear that it is not free money. It would represent a priority decision, presumably by this committee as well as the energy and water appropriations committee, that we think it is a more important priority to invest in this piece of the Corps' activity than perhaps some other piece of the Corps' activity, or Department of Energy labs, or whatever else is funded out of the energy and water appropriations bill. So let's be clear on that.

So, we—because it will mean that we will be expending $800 million more than we are expending now, and it has got to come from somewhere. So it is not free money, it has got to come from somewhere.

So, let me get to—and, Mr. Anderson, do you agree? Do you concur with that assessment, what I just said?

Mr. ANDERSON. I don't pretend to understand the exact process——

Mr. BISHOP. All right. Will Secretary Darcy confirm the accuracy of what I just said?

Ms. DARCY. Yes, sir.

Mr. BISHOP. Yes, you are confirming the accuracy of what I just said?

Ms. DARCY. Yes, I am, Congressman.

Mr. BISHOP. Thank you very much, Secretary Darcy. But now let's explore.

I read a press report before I came to this hearing this morning that suggested that some of my colleagues on the other side of the aisle feel that the environmental restoration projects that we commit resources to within the Corps budget is perhaps a lower priority, and that we ought to be examining what we do there. And we spend some $470 million a year, as I understand it, on environmental restoration projects. Is that about right?

Ms. DARCY. It is about right. I would have to check this——

Mr. BISHOP. OK.

Ms. DARCY [continuing]. Year's budget submission.

Mr. BISHOP. Now, the biggest chunk of that is the Florida Everglades project.

Ms. DARCY. A large portion is——

Mr. BISHOP. Yes. And my understanding is that a study has been done that suggests that the full restoration of the Florida Everglades will result in 440,000 jobs, and that it will contribute to the economic vitality of the State of Florida. Are you familiar with this study?

Ms. DARCY. Yes, sir.

Mr. BISHOP. OK. So, can we talk a bit? If, in fact, there is a perception that this $470 million is low-hanging fruit, that we should be taking money out of that and putting it into harbor maintenance dredging, can you talk about the economic benefits of the kinds of projects that we are undertaking under environmental restoration such as the Florida Everglades, such as the Louisiana coastline project, things like that? Can you talk about that for us?

Ms. DARCY. Yes. Our ecosystem restoration projects around the country, we have several large ongoing ones that the Corps is part of. Many of our projects are on aquatic ecosystem restoration, we are also in partnership with not only the local community, but also other Federal agencies. And, in particular to your reference to Everglades, we have several Federal partners in that restoration effort, including the Department of Interior and EPA.

But all of those restoration efforts in many cases are a result—and Florida is another example—of some work that the Corps has done in the past that we are helping to restore the results of what that project did. In Louisiana we are doing coastal restoration projects, many of them—some wetlands restoration, as well as others.

And all of those restoration projects—we are doing some in the Great Lakes and California Bay Delta and the Chesapeake Bay—all have economic impacts for the local community, as well as job creation. There is construction. We have started four construction projects in the last 2 years in the Florida Everglades. Construction projects create jobs, so there is economic development and economic activity, as a result of the ecosystem restoration, not only in the short-term job creation, but also long-term, for economic development within those communities.

Mr. BISHOP. Thank you very much for that. I think Mr. Bridges, Mr. Koch, Mr. Anderson, Mr. Friedman all made reference to the necessity of passing the surface transportation bill. I couldn't agree more. I hope very much that we will pass it.

My understanding of what is on the table is a surface transportation bill that would be 6 years at $35 billion a year—which is the funding that flows into the Highway Trust Fund from the motor fuels tax—would represent roughly a $20 billion per year reduction in what we are spending now. Would—is it fair for me to assume, given your support of passing a surface transportation bill, that you would want us to lift that annual expenditure number to the greatest extent we could? Anyone?

Mr. KOCH. Congressman, I think the private sector has been repeatedly on record, whether it is the U.S. Chamber of Commerce or the American Trucking Association, as saying yes to that question. And the private sector, interestingly enough, is perfectly willing—and many of the members of the private sector have expressed support for—raising the gas tax as a way to pay for it.

Mr. BISHOP. Did you say raising the gas tax?

Mr. KOCH. Yes, sir.

Mr. BISHOP. I am sorry, just make sure I heard you correctly. Would that not be a job-killing tax increase?

Mr. KOCH. That is a judgment others can make. But I think the private sector has been supportive of what you are talking about, and the way to pay for it.

Mr. BISHOP. But in fairness, I shouldn't tease. It is very important, I shouldn't tease. You would encourage us to find alternative funding mechanisms so that we could make the annual expenditure of the surface Transportation bill be as robust as possible. Is that a fair conclusion?

Mr. KOCH. That is fair, if you need to find an alternative revenue mechanism, yes.

Mr. BISHOP. Mr. Friedman, would you agree with that?

Mr. FRIEDMAN. Yes, I would, Congressman. I think, you know, there is ample evidence that suggests we have underinvested in our transportation infrastructure for years, if not decades, and we need to start catching up. And we certainly encourage a maritime title in the transportation bill, because we have needs that are not going in our——

Mr. BISHOP. I am in full agreement, particularly if we are not going to pass a WRDA. We would need to have a maritime title in the transportation bill. Mr. Anderson, would you concur with that?

Mr. ANDERSON. Yes, Congressman, I would. It is obvious to everybody, I think, that the current tax that funds the transportation in United States is a dwindling resource, and it certainly makes it difficult to fully invest in our infrastructure. I think the maritime title in the bill would be very, very helpful.

I would also encourage that we look at the way that we work in incentivizing and encourage public-private partnerships, which we have done in JAXPORT. We have invested with—I mentioned in my testimony both—two Asian companies, Mitsui MOL and Hanjin, over $500 million in two public-private partnerships. So we feel that is another way to leverage money.

Mr. BISHOP. I have gone way over my time, and I thank the chairman for his indulgence. Mr. Bridges, just give you a chance to comment. You would encourage us to pass a robust surface transportation bill?

Mr. BRIDGES. I absolutely would, yes. We think that the focus should be on freight transportation, and look at it from a supply chain total system approach, rather than just segmented. But a maritime title would be absolutely essential in a surface transportation act.

Mr. BISHOP. Thank you all, and thank you, Mr. Chairman.

Mr. GIBBS. Representative Bucshon, you have a question? Yes.

Dr. BUCSHON. Thank you, Mr. Chairman. I think everyone in the room can see today why we are way behind on everything, because the Federal Government doesn't seem to have the ability to prioritize anything. And, you know, if you ran your household like that, when times are hard, when money was tight, and you continued to spend it on extravagant vacations and other things that you can't afford, you get the same thing that we are doing here in the Federal Government. We are continuing to try to fund everything, when we have critical things that we need to fund.

I think one of—the biggest dispute we have here on this committee and in Congress is not necessarily the amount of money that is allocated to be spent, but how do we prioritize that spending. And clearly, infrastructure is a critical part of what we should be funding at the Federal Government level. And we need to tighten our belts. And I do believe we can do more with less if we prioritize and recognize that some of the extravagant vacations that we want to spend it on, we can't do that right now.

So, I think that—I have got just a couple of questions.

Ms. Darcy, I heard today with some of the other Members saying that their ports are only getting 1 percent or less of the money back that they put in. How does that happen? I mean who is responsible for that?

Ms. DARCY. Congressman, the tax that is paid into the Harbor Maintenance Trust Fund is an ad valorem tax for the value of the cargo that is being imported into that port. That tax is put into the trust fund. Because what goes into the Harbor Maintenance Trust Fund is for operation and maintenance of the ports, and we make a determination as to which ports need, based on a national economic development and national priorities, which of those ports need to have their operation and maintenance done with that year's funding.

Dr. BUCSHON. OK, then. But—I understand the frustration that I heard from other Members of Congress here about their ports only getting 1 percent of the money back. It seems to me—I mean at what point does the ports that are only getting their 1 percent—at what point do—does their priorities of what they think need to be done take precedence over everything else?

I mean it just doesn't make any logical sense to me, year after year, how we could allocate the money and people could be getting that little of their money back.

Ms. DARCY. Congressman, the operation and maintenance of ports varies, depending on the existing depth, as well as the natural depth that occurs there. There are some ports, in particular on the west coast, Seattle and Tacoma, that are naturally deep ports, so they don't require the same operation and maintenance that other ports do. And so, we would not put the exact same amount of money into that port that they put into the trust fund, because their needs for maintenance aren't the same as other ports.

Dr. BUCSHON. OK, that makes sense. I guess it seems to me that—would anyone—would everyone agree that, in some way, we need to—and anyone can answer this—not only the Harbor Maintenance Trust Fund, but a lot of other trust funds we have in the United States—Social Security, for example—we continually, over decades, raid that money and use it for other things. Would anyone disagree that we need to somehow fix that process, and target the money where it is supposed to be spent?

I mean, would—Ms. Darcy, you can comment first. I mean would anyone disagree with that?

Ms. DARCY. The current Harbor Maintenance Trust Fund is limited by statute as to where that money should be spent.

Dr. BUCSHON. Yes, but we have been spending it on all kinds of things.

Ms. DARCY. Right, the——

Dr. BUCSHON. And it is not only now. It is previous administrations, Republicans, Democrats. I mean this is a chronic Federal Government problem, right, that we find money in these trust funds and we use it for other things?

Ms. DARCY. Some of the balance of the trust fund is invested in other—the same as other trust funds, you are right.

Dr. BUCSHON. Yes. And Social Security is a classic example, right? We—it is full of IOUs, and there is really no money there. I mean that is one of the biggest egregious examples.

I mean—anyone else? Mr. Koch, you want to comment on that? I mean——

Mr. KOCH. No, I think many in the private sector don't find much trust in the trust funds because of the fact that money is diverted for purposes other than what the fees or the revenues were designed to pay for.

I would express a note of concern, however; I would hope that our colleagues in the American port community do not end up at each other's throats over how the Harbor Maintenance Trust Fund is presently constructed. Congress designed that fee on an ad valorem basis, as has been discussed, as a national program for national harbor maintenance. It is clear, as the Secretary said, some ports don't need much harbor maintenance dredging, and therefore, they can complain that they pay more in than they get out.

But that is the design of the system. And if you undo that design, I think you then start pitting various U.S. ports against each other, whereas I would hope that the industry would be better served if the port community can stay together and united on this, rather than to get at each other's throats over who is getting a better deal out of the trust fund in a particular year.

I mean the Mississippi River and the Port of New Orleans are going to have a very different view about harbor maintenance dredging than Seattle and Tacoma. That is unavoidable, but I think the Congress recognized that when it created this fund to begin with. And efforts to undo it, I think, should be viewed with some degree of care.

Dr. BUCSHON. Yes. My time has expired, but I just want to say that makes total sense to me. It just seems like 1 percent is a pretty small number. With that I yield back. Thank you.

Mr. GIBBS. Yes, just to make one quick comment, I think you are trying to say think of it as a system-wide system. Representative?

Mrs. NAPOLITANO. Thank you, Mr. Chair. And I have a ton of questions. I may not be able to ask them all.

But, Mr. Friedman, we talk about ballast water. And, unfortunately, because California has the—very busy ports, and we have had the influx of invasive species like the quagga mussels that is costing millions of dollars for the water agencies to try to eradicate. And then they have closed beaches because of the contaminated water because of the ports—the tides bringing it in. So, I was just making a comment, because it hurts my economy, and it does create problems for our environmental areas. So that said, I don't need a comment, I am just bringing that to your attention, because that is an issue in my area.

Then, Ms. Darcy, the—good to see you, ma'am.

Ms. DARCY. Yes.

Mrs. NAPOLITANO. How many trust funds are there, besides the Inland Waterways Trust Fund and the Harbor Maintenance Trust Fund that deal with ports and inland waterways?

Ms. DARCY. Those are the only two within the Corps of Engineers that deal with our ports or——

Mrs. NAPOLITANO. Does any other——

Ms. DARCY [continuing]. Our inland waterways.

Mrs. NAPOLITANO [continuing]. Agency have any other transportation—dealing with assistance to these ports?

Ms. DARCY. I don't believe so, but I can't say that for certain.

Mrs. NAPOLITANO. Would you mind checking? Because you never know——

Ms. DARCY. I will look——

Mrs. NAPOLITANO [continuing]. What else there might be out there.

Ms. DARCY. I will look for some more trust funds for the——

Mrs. NAPOLITANO. That would be great. Thank you, ma'am.

Mr. Peyton, in your position as chair of the education committee of the Marine Transportation System, the National Advisory Committee, did you develop ideas on how to educate the American people on the importance of seaports to our Nation's economy?

Mr. PEYTON. Yes, yes. There was about 4 years' worth of work just to explain what this is. A committee was put together, took about 4 years for everybody to drop their swords, because it was basically a supply chain group, which means every different part of the supply chain was represented: retailers, carriers, everybody.

After 4 years of laying down the swords, about 4 years of very good work was done. And I don't think anybody ever saw it——

Mrs. NAPOLITANO. Why not?

Mr. PEYTON [continuing]. Honest.

Mrs. NAPOLITANO. And why not?

Mr. PEYTON. Well, there was a change of an administration, there was a change in—like there is, you know, things flip flop, and then you forget what was done before. But I believe mainly because the group was disbanded, and it doesn't exist any more.

Mrs. NAPOLITANO. Does the work still exist?

Mr. PEYTON. Yes, it does.

Mrs. NAPOLITANO. And where might that be?

Mr. PEYTON. Well, it was on a Web site, and then I believe it was taken down. It was posted, and then somebody took it down. But all of these studies were put in place and on a Web site at one time. I know I have a copy of it, because I was the cochair of the education committee, so I have a lot of this.

Mrs. NAPOLITANO. Well, what I would like to have you—and maybe send to us, to this committee, so that we may be aware of some of the work that was done, because we may want to continue educating the public on how critical these ports are to our Nation's economy.

And then, do you link the President's initiative to double our Nation's exports to having a state-of-the-art transportation system that connects highways, railroads, and bridges to our seaports? And I have a real strong connection to the railroads and highways, because I have 54 grade separations in my area from the Alameda Corridor East project.

Mr. PEYTON. Yes, absolutely. And I think the word "systems approach" is what was dealt with in the 4 years of study, is how we take a systems approach to answering what the issues are, because it is all the interlinking of the transportation modes to really understand freight mobility, and I understand that is what Congresswoman Richardson has worked on, and the key word is "projects of national significance," meaning across the supply chain. That is the key, is understanding the systems approach to this.

Mrs. NAPOLITANO. Well, great, because—and, Ms. Darcy and Mr. Bridges, you are very right on the button in linking transportation—not only rail, but highway—to the ports, because in my area, like I said, I have the Alameda Corridor East, which goes through eight of my cities. And there is an increase in traffic that is going to affect those 54 crossings, and only 20 are scheduled to be separated, creating a lot of issues: environmental, safety issues from my general public. And so I have great concerns over that.

There are many other questions I have, Mr. Speaker, but what I—Mr. Chair. But I will submit it in writing, and I yield back.

Mr. GIBBS. Representative Shuster.

Mr. SHUSTER. Thank you very much, Mr. Chairman. Mr. Peyton, I almost jumped out of my seat and said amen to what you were saying. I don't mean to be insulting, but you sounded like a Republican.

Mr. PEYTON. Oh, that's not good.

[Laughter.]

Mr. SHUSTER. I said I didn't mean to be insulting.

Mr. PEYTON. Well, let me say something on that, if I could.

Mr. SHUSTER. Sure.

Mr. PEYTON. This issue of transportation is probably the first issue that the union has ever stood side by side with the Chamber of Commerce, locally and nationally, to say that the significance of this is so big that we need to stand together in one message.

So, I would think and I would hope, after the years of us working on this—and literally, it was 10 years of work—that again, we put down our swords and we understood that this is for the good of the Nation.

Mr. SHUSTER. Right.

Mr. PEYTON. And I think that that doesn't have to be any one party.

Mr. SHUSTER. Right. And I think you are absolutely right. But some of the things you said there—look, funding right now is extremely difficult, and I understand the business community wants to raise the gas tax and user fees, as unions do. But the American people, when you go out there and talk to them, they are saying, "Hold it a second. I want to make sure I have a job tomorrow before we—before I have to spend any more money." And so that is the hesitation.

But there is other things we can do, and I think the leadership on our side has already said, "Let's figure out where we can find some money without raising revenues, taxes." And I think that is possible. But I also come back to it just seems like, in this town, it is real easy to say raise taxes, get revenues, and that is real hard on the American people. But it is really tough for us to figure out how we take programs that have been in place for years and years and modernize them, streamline them, reform them.

As you said, you have got 62 projects out there that are being held by bureaucratic red tape. And my guess is that maybe there is three or four of them that there is a real serious problem there. The rest of them, they are just bureaucratic red tape that are going through these endless revisions and reviews. And we have got to get serious about this, because again, I think we can do more with less, as I said in my opening statement.

So, you know, I really appreciated hearing that come from you. And I hope that portion of it resonates with my colleagues on the other side, because this is an important issue. And let's fix the regulatory—the bureaucratic regime, before we go out there and take more money out of people's pocket books.

Now, with that being said, Ms. Darcy, I have great concern over the Corps, not only in harbor maintenance, but expanding your role. Just—there is a situation in Pennsylvania with the Marcellus Shale, where the Corps of Engineers has revised its review process. And what the Pennsylvania Department of Transportation has done for 40 years, and done it extremely well, when you have small stream crossings they have permitted these. The Corps has decided they are going to start to do it. And it has caused a big backlog in Pennsylvania, when it comes to Marcellus Shale. This is not the hearing to do that, but those are the kinds of things that are occurring in the Corps, in the EPA, and across the Government.

So, my question to you is, as the administration cuts your budget, how is that going to impact you as to the size, the overhead, the personnel? You know, what are you doing to respond to those cuts in funding?

Ms. DARCY. Congressman, we will respond to the cuts in funding if—your reference to our regulatory program this year, our proposal for our budget is to keep that constant, so that we will have the regulatory capability to respond to the concerns that you raise.

Mr. SHUSTER. OK. And I hope—it is not just about—again, I come back to the reforming. You have been in existence, the Corps has done a lot of great work in Pennsylvania. But there are things you can do that are not necessarily cutting the people, but just reducing what you do out there, and pushing it out to the States, because there is a lot of capable and competent State agencies that can do what you do with you having oversight. Are those things you are looking at doing?

Ms. DARCY. We are looking at some of that. One of the things that we are doing right now is there is—you may have heard some of the other witnesses here talk about some of—the length of time it takes for the Corps of Engineers to do its planning process. What we are doing right now is looking at our planning process to look at ways on how we can make it more efficient. We have got some studies that have taken anywhere from 6 to 10 years, and that is just too long, because it requires a Federal investment, as well as an investment from our local sponsors.

So, we are looking at some pilot studies now, to see if we can find ways to reduce the length of time it takes, as well as the cost.

Mr. SHUSTER. So, let me ask the question. Based upon what Ms. Darcy said, do you, the panel up there, get a sense that the Corps is reducing and looking at ways to streamline, or do you get a sense it is same old, same old? Anybody care to—or is everybody afraid the Corps is going to come in and hammer them if they criticize them?

Mr. BRIDGES. From the AAPA's perspective, we think that the Corps has made strides in improving the process. However, we think that, due to lack of the resources and the proper funding, their ability to deliver full services to the port has been hampered somewhat.

And so, we work in partnership with the Corps to improve those processes, and I think that that will bear fruit in the long term. But it is absolutely essential that the Corps' budget be restored, and that they be allowed to bring on the resources to deliver the right product for the ports.

Mr. SHUSTER. Anybody else care to talk about the interaction with the Corps, and if they think they are streamlining and making strides in the right direction, or are they doing the same old thing?

Mr. Anderson, you look like you are ready.

Mr. ANDERSON. Thank you, Congressman. We feel that, you know, we are integrally linked to the Corps process, doing water projects. And while we have every intention of continuing to work with them, there are many areas that we feel that we could do with just a few policy changes, both legislatively here—for example—and again, I refer to my written testimony, but a few specifics is allowing us to advance the Federal portion of this and get credit for those dollars for projects.

We stand ready with our State to fund a specific project that is $40 million, and we just can't do it. We are going to have—there is 11 chief's reports sitting out there, we understand 3 to 6 more in the next 3 months. And those are the gold standard for moving forward. But we can't move forward with those projects throughout the country.

So, it is partly making more efficiencies in their process, and partly this body doing more to help them implement those processes.

Mr. SHUSTER. Well—and again, my time has run out—if you have anything, specifics, any ways that you see we can reform the Corps or the EPA or any other of the agencies, I am committed to doing that. I believe the chairman is. I know Chairman Mica is. We have got to hear from you to be able to do that, to be able to streamline this. Because, as Mr. Peyton has pointed out, there are 62 projects out there tied up in the bureaucracy, and they need to be changed.

And again, Mr. Peyton, amen. And I meant no offense by telling you you sound like a Republican. I yield back.

Mr. GIBBS. Thank you. Representative Brown?

Ms. BROWN. Thank you. And thank you, Chairman Gibbs and Bishop, for holding this hearing.

I guess my quick question is are we going to have another round of questioning? Are we going to have another round of questioning? OK, good. All right, then. I don't have to really rush.

Welcome, Mr. Paul Anderson, who is our port director in Jacksonville, Florida. And the port is really the economic engine for north Florida, over 65,000 jobs, the economic impact of $19 billion. The question was asked to you, Mr. Anderson, about the budget. You don't understand anything about the budgeting process up here, nor do we. And it is evolving.

[Laughter.]

Ms. BROWN. And so—but the point is, the trust fund take in $1.5 billion and is $6 billion in there, and you all can't use it because it sits there and they try to make it look like, you know, we got all this reserve. And if we use this money for the purpose that we take the money in, we could generate a lot of jobs and be prepared for the next generation of ships that is coming. Would you like to respond to that?

Mr. ANDERSON. Thank you, Congressman, and for the very gracious welcome. I agree that I don't pretend to know—from a lay person's perspective, the congressional budgeting process is very complex. But I do know this at home. When I take in so many dollars and I take out my taxes, I have to pay my mortgage every month, and how much I need to feed my family, and do the other things that you need to live. And I think the average American understands how to do that. And we do that at the port very well.

I do know that when you take in $1.5 billion, if we—it is about system preservation, is the reason that the trust fund was passed, to preserve our existing system so that we can maintain our harbors, our waterways. Our country was blessed with great ports. Cities grew up around our ports, not the other way around. Many of the ports, like ours in Jacksonville, are on a river. They take a lot of maintenance.

We work very vigorously with our Army Corps partner to try and maintain the river so that we can continue to provide economic development to our country. And we could always use the additional dollars for that system preservation for our resource that this country and taxpayers have already invested hundreds of millions of dollars. So we need to preserve that investment.

Ms. BROWN. Would you explain to us—and I know this is local, but you have the full funding, but you can't get it authorized because what—local and State, but the Federal Government is not a partner, or we haven't authorized it, and you know we got this silly thing that we can't earmark because this is a new rule the new leadership—so since you can't earmark, then we can't pass a bill, because in WRDA you always have member-specific projects.

I mean you need a process, whatever that process is, hearings, whatever you want to do. But it has to be a way to identify these projects, and not just let the administration—which you know I support, but I don't care who the administration—members should have some say-so as to members' priorities in their area. Can you expand on that?

Mr. ANDERSON. Yes, ma'am, I will try to. I appreciate your frustration. I don't consider it an earmark when we are willing to put up every dollar for the project. We just need to change the policy here to allow us—so we don't have to wait for an authorization.

And in this specific instance, I think you are referring to our project at Mile Point, which is hindering our ability to take in the larger ships of—post-Panamax ships, by the way that are coming through the Suez Canal for many customers and Members. We will do that if we can just find a way to advance the dollars that the State and the local government is ready to put up.

Ms. BROWN. Madam, can you talk about it? We have had several meetings. I mean it is a bipartisan effort. I know it is local, but this is my only bite at the apple. I got to get you here.

Ms. DARCY. Thank you, Congresswoman. The portion of the project that you are referring to, the Mile Point portion, is not an authorized project. So, therefore, we can't budget for an unauthorized project.

Ms. BROWN. OK, but we can't authorize it because it is an earmark. We are in a Catch-22. What do we do?

Ms. DARCY. I don't have a good——

Ms. BROWN. So we don't understand the budget, nor do we understand the legislative process, because it is not working. It is broken.

I will have another round.

Mr. GIBBS. Representative Harris?

Dr. HARRIS. Thank you very much, Mr. Chairman. Let me go into some of these issues with the Harbor Maintenance Trust Fund and the Transportation Trust Fund. I am just going to ask everyone, starting with Mr. Bridges and working down.

Mr. Bridges, do you support—and because I think you all said we ought to have the multiyear transportation bill, and we ought to fold a maritime title into it. Mr. Bridges, would you support an increase in the gas tax to help pay for that?

Mr. BRIDGES. Yes.

Dr. HARRIS. OK. Mr. Koch?

Mr. KOCH. I think——

Dr. HARRIS. That job-killing gas tax, you know, the ranking member spoke about.

Mr. KOCH. Yes, but——

Dr. HARRIS. You would?

Mr. KOCH [continuing]. The gas tax increase for the surface transportation bill.

Dr. HARRIS. Correct, right.

Mr. KOCH. Yes.

Dr. HARRIS. Yes. Mr. Anderson?

Mr. ANDERSON. Yes, if it includes all modes of transportation.

Dr. HARRIS. Mr. Friedman?

Mr. FRIEDMAN. Can you repeat the question?

Dr. HARRIS. Mr. Benjamin?

Mr. BENJAMIN. Yes.

Dr. HARRIS. Mr. Peyton?

Mr. PEYTON. Spend money to make money.

Dr. HARRIS. Same question. Do you support—Mr. Bridges, do you support an increase in the Harbor Maintenance Trust Fund tax level?

Mr. BRIDGES. No.

Dr. HARRIS. No? Mr. Koch?

Mr. KOCH. No, because——

Dr. HARRIS. Mr. Anderson?

Mr. ANDERSON. No.

Dr. HARRIS. Mr. Friedman?

Mr. FRIEDMAN. No.

Dr. HARRIS. Mr. Benjamin?

Mr. BENJAMIN. I support reformation of the——

Dr. HARRIS. Do you support an increase in the rate?

Mr. BENJAMIN. Reforming the system.

Dr. HARRIS. Mr. Peyton?

Mr. PEYTON. I agree. Reform the system.

Dr. HARRIS. OK. So, let me get—let me summarize what I am hearing. You think it is just fine to raise the gas tax, which doesn't go to paying roads only, but you think it is not all right to increase the Harbor Maintenance Trust Fund, because—I suspect the reason why you believe that is because you think it ought to go paying for the dredging, and we are not paying for all the dredging, so we shouldn't be increasing the tax.

You just summarized the problem a lot of the Members have, going to our constituency and saying, "Let's raise the gas tax, we really need to do it. But, oh, by the way, we are not really going to build roads over there, we are going to do things like fund mass transit, we are going to build bike paths, and all the rest." That is the problem.

You would be much more believable to me if you say, "Sure, raise the Harbor Maintenance Trust Fund to—I know it doesn't go to just dredging harbors, but let's do that too."

Now, Ms. Darcy, thank you very much for coming back. And I think I got a handle on this Harbor Maintenance Trust Fund issue. There is a piece of paper floating around that has $6 billion on it. There really aren't funds anywhere. There is an IOU written, right?

Ms. DARCY. It is in the treasury account.

Dr. HARRIS. "Treasury account" means it is in IOU—it is an IOU written. There are no—in other words, if we decide to spend that money tomorrow, they would have to go and find a place to print it or transfer it or something.

What is the backlog of projects, total projects in the—dredging projects in the United States? If we wanted to really dredge our—you know, to authorize depths and widths, how much would it cost? All the projects.

Ms. DARCY. All authorized projects to all authorized widths and depths?

Dr. HARRIS. Mm-hmm.

Ms. DARCY. I think the figure is about $1.3 billion.

Dr. HARRIS. You mean we could dredge all our—well, I am going to find that hard—you are going to have to show that to me, because we can dredge all our ports in the United States, their authorized widths and depths, and it is only $1.3 billion?

Ms. DARCY. In addition to what we already spend. I believe that is the case.

Dr. HARRIS. You are going to have to go back and check your figures, because I know these ports. These ports, despite the fact that we are spending $800 million a year, we have huge backlogs. And the number of ports that need a dredging done that have been delayed is huge.

But let me ask you a question. So you say that we haven't—your testimony is we are already spending an adequate amount. But we are not spending enough to bring them up to authorized widths or dredge to authorized depths. So I guess it is a matter of what you consider adequate.

Ms. DARCY. It is adequate for the funding that we have.

Dr. HARRIS. I—oh, now let's go to the funding that you have.

In the President's second stimulus bill, this current jobs bill, how much has he set aside for dredging projects?

Ms. DARCY. I don't believe there is any set aside for dredging projects.

Dr. HARRIS. No set-aside for dredging projects? Well, that is very interesting. So then, you don't—the administration really doesn't think it is a priority to go down to those depths or those widths?

[No response.]

Dr. HARRIS. I mean because that is how you determine priorities, you actually put it in one of these bills. Because the President has said that we want roads and other infrastructure, but no money for dredging? No money for that important aspect of maritime infrastructure?

[No response.]

Dr. HARRIS. Finally, because my time is running short, your testimony says that in deciding how to spend Harbor Maintenance Tax receipts, you are going to make a comparison with other potential uses of the available funds.

Now, first of all, the funds aren't being used, they are being deposited in the treasury. What are some of those other potential uses that could be more important than actually dredging a harbor to accommodate these new ships that are—you know, will be coming through the Panama Canal, et cetera? What are some of those other potential uses of available funds?

Ms. DARCY. Some of them could be for other portions of harbor development or harbor maintenance other than dredging, things like jetty replacement and other kinds of maintenance that is not specifically dredging.

Dr. HARRIS. OK. But you could do that with the current funds. I mean you have a little leeway there, because you are only spending $700 million and some-odd change out of the $1.5 billion.

Ms. DARCY. The $758 million is what we——

Dr. HARRIS. Yes.

Ms. DARCY [continuing]. Will be able to spend.

Dr. HARRIS. Right. So you think it is a more important use of those funds to deposit them in the treasury than to invest them in harbor maintenance at this point in time? Because that is what is being done.

Ms. DARCY. Well, being deposited in the treasury, they will be used for other priorities.

Dr. HARRIS. This year? Next year? Ever?

Ms. DARCY. I don't know that answer, sir.

Dr. HARRIS. Certainly not this year, right? Those monies deposited in the treasuries, we just get a piece of paper IOU back, right? We don't actually get a project.

Ms. DARCY. Well, those receipts are invested in treasury securities.

Dr. HARRIS. Right, but you can't drive a ship into a treasury security, you can't—I mean I guess it is a matter of priorities. Thank you very much, Mr. Chairman.

Mr. GIBBS. Thank you. Ms. Richardson?

Ms. RICHARDSON. Thank you, Mr. Chairman. First of all, the gentleman who just spoke, I look forward to maybe having a thoughtful discussion over coffee or a beer or something on these issues. I respect and look forward to having a more thorough discussion.

I would just like to say for the record, though, building upon the gentleman's questions, there is a very key difference between—several differences—of the Highway Trust Fund versus the Harbor Maintenance Tax. One, the Highway Trust Fund has been unfunded for quite a few years now, even dating prior to President Obama, but President Bush, as well. The gas tax has not been increased since 1993. And so it is an underfunded program.

I also think it would be helpful to have a discussion of the difference between increasing the diesel tax versus, as you said, asking our constituents to pay a tax. Because if the truckers are willing to pay a tax, an increased tax which would be a diesel tax for the roads that they would be able to use that would eliminate choke points and allow goods to move more efficiently, that may be somewhere where we could find an agreement.

Let me now get into the questions that I have. Mr. Peyton, in your testimony on page 3 you stated your concerns with the TWIC program. Can you describe how the TWIC program has positively or negatively impacted the economics of our seaports?

Mr. PEYTON. Well, I think that we all know that—what we went through on 9/11. But at the same time, the question is where that spending goes, and what it means in the total.

Originally, when the regs were written, there was language in the Coast Guard regs that said that the people that work in the ports would be educated and become the eyes and the ears of the port, which, without education, people in the ports were the eyes and ears, because they were the ones who knew better than anybody else if something was wrong, and a number of instances were taken care of as a result of this.

So, what we are saying here is—we are not saying that there isn't a place for security because, of course, there is. But we are saying that the expenditure of that money when we look at some of the other projects that need to be funded, that maybe our priorities need to be shifted into goods movement. And we have done enough over here, because fences, cameras, and everything we put up seem to be multiplying by the day, but we are not moving cargo more effectively because we don't have the monies allocated there. That is what our point is.

Ms. RICHARDSON. OK. And, building upon that, Mr. Peyton, I would also like to ask you and Mr. Bridges and Mr. Benjamin. In response to 9/11, port authorities lost many members. Out of this attack, the Department of Homeland Security was formed and subsequently funded. In addition to law enforcement officers, however, there is many other people who could be considered a first responder, such as retail clerks, ship pilots, marine construction workers, and so on.

Do you believe that these workers should also be included in security plans, in training, and a part of the process?

Mr. BENJAMIN. Yes, and we work actively with the other members, including Coast Guard, members of law enforcement, members of industry, in developing our specific security plans at the port.

Ms. RICHARDSON. But specifically—I realize from a port perspective, but I am talking about your actual workers. Like, let's say, your longshoremen or your retail clerks, do they have an opportunity to participate in the planning? Are they getting a chance to take advantage of the training?

Mr. BENJAMIN. I would look to also Mr. Peyton and my other colleagues, but I believe the answer is yes, as it relates between labor and the PMA and other members between labor and their representative members of industry.

Ms. RICHARDSON. Mr. Peyton, do you feel that you guys are given an adequate opportunity to be considered a first responder?

Mr. PEYTON. No, we have not been built into this. We have met with the first responder groups, and I will say that the ports have done a very, very good job within their unit. But, unfortunately, we were put one step removed because of facility security officers at individual terminals, which means that we were not trained. And it is just coming around now, it is just starting. But no, we are not.

Ms. RICHARDSON. OK. And then, I think my last question that I might have, Mr. Bridges, Anderson, Friedman, and Benjamin, I have authored a bill called the Freight Focus Act, and I would like to ask the question. Are any of you involved with the Department of Transportation in an advisory capacity that would allow you to prioritize major goods movement corridors to alleviate choke points, to participate in freight planning, and to designate corridors of national significance, and to be able to weigh in on what you think would be merit-based programs or projects that should be funded? Are any of you allowed to participate in that at this point?

Mr. BENJAMIN. Yes, we do. We happen—I think Mr. Bridges, myself, and other members are involved not only at AAPA but at the marine transportation committee established by the Secretary—or re-established again, I would say.

Ms. RICHARDSON. Would you like to expand?

Mr. BRIDGES. Yes. We are certainly involved with the Secretary's office in that effort that is initiated through MIRAD, and we are—I think there is three or four port directors that serve on that, along with private sector terminal operators and others. And at the AAPA we are also engaged in trying to look at the national freight policy and talking about corridors of national significance and that sort of thing.

Ms. RICHARDSON. Mr. Chairman, could I just ask a followup question to that? Thank you, sir.

But are you allowed to specifically determine to look across the Nation and say these are the top 10 goods movement corridors, and where funding should prioritize——

Mr. BRIDGES. I believe that the agenda will—is such that we will move to that. We have met once, since the inception of the committee. But I believe that is the overall vision of the National Maritime Advisory Committee.

Ms. RICHARDSON. OK. Thank you, sir. I yield back.

Mr. GIBBS. OK. I think there is a few more questions. I will start off—go ahead, Representative. Go ahead. You can go, and then we will switch back and forth here.

Mrs. NAPOLITANO. Thank you, Mr. Chair.

Mr. GIBBS. We are going to make this second round kind of quick, though.

Mrs. NAPOLITANO. I appreciate the time. Mr. Peyton, in your testimony you are very credible in some of the issues that I have great concerns with, and one of them is a diversion of cargo away from our west coast seaports to Mexico and Canada. Should our Government prohibit transshipment of goods through Mexico and Canada coming to the U.S., since they do not have the same security, the same safety, and environment regulations that we have at our ports?

And I kind of think of the trucking situation with NAFTA, where that has played a great part in taking some of the jobs from our members. And I know that Canada has been continually investing in their roads and infrastructure to be able to move more cargo through their ports, and that they have a factor of several days, if

I remember correctly, to expedite the transshipment of goods. And is it cheaper? But all of those are part of my question.

Mr. PEYTON. Yes, I think the key here is—we have heard this word before, but it is called fair. And fair means even, across the board, that they don't get an advantage because their Government funds something that ours isn't willing to, that they get around the Harbor Maintenance Tax when we have to pay it, when we have environmental concerns that they don't have, when we have security concerns that they don't have to go through. It is called fair.

And an even playing field—because, given an even playing field, we have done a very good job—I'm talking about the west coast now—at developing what we need to develop, and doing what we need to do to stay in this game and win our market share back. We have picked up, since 2007, we have picked up 2 percent of the 6—we lost 6 percent of our market share. We have picked up 2 percent of that and brought it back. So we can win this battle, but we need an even playing field.

Mrs. NAPOLITANO. Well, and talking about the even playing field, I know there is a move of Beat the Canal, which puts the local, the State, labor, Chambers of Commerce, chambers themselves, former Governors, railroads and trucking associations on the same playing field to be able to expedite the port's traffic, and also to be able to look at regulations, which bring me to Ms. Darcy.

Is any move to have any of the other agencies—like EPA, Department of Transportation, Commerce, and others—working with the Army Corps to expedite the processes that hinder some of these projects that are waiting in line?

Ms. DARCY. In our districts we try to work cooperatively with the other agencies, in particular, for——

Mrs. NAPOLITANO. But that is local, ma'am. I am talking about here in Washington, so that we all know that this is a move that is going to help create better ability for our ports to move forward on their projects.

Ms. DARCY. We are working with Transportation and other agencies to try to better coordinate upfront what the requirements will be for the regulatory process, so that it doesn't get bogged down with one agency saying one thing and the other saying another.

Mrs. NAPOLITANO. OK. And then, to the panel, is what would you suggest to all these agencies to do to be able to get to the table and resolve these choke points? Anybody?

Mr. BENJAMIN. Well, I think that it starts with something we have been advocating, of having a nationwide strategy and policy around the movement of goods——

Mrs. NAPOLITANO. With whom?

Mr. BENJAMIN. Amongst—at the Federal level.

Mrs. NAPOLITANO. What agencies?

Mr. BENJAMIN. All of them. And that there be a central cabinet-level representation that focuses on this on a systems approach, as Mr. Peyton said, and Mr. Bridges, and everybody has commented. We need a systems approach, a national perspective, to manage these——

Mrs. NAPOLITANO. But what would be the priorities that you would want this super-agency to be able to work on to relieve the—your ability to be able to move forward? Anybody?

Mr. BRIDGES. Well, if we look at the airline industry, for instance, there is the FAA that primarily focused on aviation issues. There is the Federal highway that deals with the road. I believe that we, in the national freight scenario, we would need to have an agency quite similar to the FAA that kind of brings all of the variant pieces together that look at the complete supply chain, from the water side all the way through to the destination.

So, that is creating more bureaucracy. But hopefully it would be a streamlined process that can alleviate some of the road blocks as we go forward.

Mrs. NAPOLITANO. Mr. Anderson?

Mr. ANDERSON. Yes. I think my experience, that interagency cooperation isn't always in Washington, what that sounds like. I think it is imperative that the leaders of each of those organizations makes sure that that is a priority for their agency, they work directly together, and they drive it down through the agency.

Mrs. NAPOLITANO. And should the word come from Congress or from the administration?

Mr. ANDERSON. Both.

Mrs. NAPOLITANO. Any other comment, anybody? Yes, Mr. Koch?

Mr. KOCH. I would simply note that I think you can look at some examples where things have been done very, very well with the existing system. And I would point to Mr. Bridges' port. Norfolk is dredged, it has got intermodal rail connections, it has got the heartland corridor, it has got new rail service into North Carolina. It has thought about what it needed, it has invested in what it has needed, and it has worked with the Federal agencies very cooperatively.

Much of the highway infrastructure that needs to be approved is subject to approval of the State highway plans. It is not a DC issue, it is for California, the California highway plan. And I think a lot of people struggle getting freight more recognized in the State highway plans; a lot of these projects require the State government to make them a priority, rather than to have it imposed from Washington.

So, I think there are a lot of people who are actually making things work with the present system, and I think Mr. Bridges is a testament to that. So it can work, but it requires a lot of coherent planning and commitment.

Mrs. NAPOLITANO. Would really request any suggestions come to this subcommittee, to the—because——

Mr. PEYTON. Can I add one last thing? I think that, you know, again, when we look at where we are going, as a Nation, this is what we have to educate people to, everybody to, that this is the future, that moving cargo effectively is going to be the way we stay competitive in this world. So, in doing this, I think it is to everybody's best interest that we understand that.

Mrs. NAPOLITANO. Thank you, Mr. Chair, for your indulgence.

Mr. GIBBS. Thank you. Well said. Representative Landry?

Mr. LANDRY. Thank you, Mr. Chairman. Mr. Peyton, I got to tell you, I am with you, OK? I mean I really am. I mean I appreciate your comments, I appreciate your position. It is something—this issue is very near and dear to me. I have got a number of ports in my district. The Port of Orleans is actually in it, but I have got a lot of smaller ports.

But I got a question. If Congress injected $500 million into the Corps' budget to address port needs—now I know they need more than that, but just—do you have any idea how many jobs we could create with $500 million?

Mr. PEYTON. Well, let me tell you this. On the 62 projects that are sitting there, it represents about a little short of $7 billion. That $7 billion has been equated out to 100,000 construction jobs.

Mr. LANDRY. OK, all right. And——

Mr. PEYTON. That is the only number I have to go off of.

Mr. LANDRY. OK. And Ms. Darcy, any idea how many jobs—if we just gave you $500 million, how many jobs, directly, you could—not only in construction, but either jobs saved, or additional jobs created by improving our ports? $500 million.

Ms. DARCY. Sorry. The figure that we usually use for construction jobs is $1 billion of construction funding would create 30,000 jobs.

Mr. LANDRY. Wow——

Ms. DARCY. So, $500 million would be——

Mr. LANDRY [continuing]. 30,000? OK. Mr. Peyton, you realize we spent $500 million on Solyndra to create 12,000 jobs that are now gone? Do you understand how backwards this Government is, how they don't know how to prioritize? How we chase utopian green energy jobs at a time when 8 of our 10 largest ports are under draft restrictions?

I mean think about the amount—that amount of money, 100,000 here, 30,000 there, 12,000 jobs at Solyndra. I just wanted to set the table so that you understand that this fight is not only at this table and this committee, it is within this entire administration.

Now, Assistant Secretary Darcy, do you believe our Nation's energy security should be a priority?

Ms. DARCY. Yes, I do.

Mr. LANDRY. OK. Well, the Corps ties its funding for ports based upon tonnage transported to and from ports versus the importance of the commodity being transported. Is that correct?

Ms. DARCY. That is correct.

Mr. LANDRY. OK. In my district, ports like Iberia and Fourchon are vital to the energy security of our Nation. In fact, 30 percent of the oil and gas consumed in this country flows through the Port of Fourchon. And yet it receives only $1.5 million for its dredging needs, which is not a—it is barely enough to keep the maintenance of the port operable. This is not to deepen the channel, this is not to improve the channel, this is simply a maintenance.

Don't you think that somewhere in the equation we should be looking not only in strictly a tonnage formula, but in the commodity that is transported back and forth, or the security needs of the country?

Ms. DARCY. Congressman, I think you raise a good point. But as you outline, we do currently just base it on the tonnage. Perhaps we need to take a look at the value, or—especially in light of energy security—in looking at how we prioritize.

Mr. LANDRY. Well, great. That is a great answer, and I would encourage you to do so, because it is not only small ports like myself, like these ports in the district that I represent, but there are a number of small ports out there as well, that a—just a little bit more of investment in infrastructure could mean a lot more to those ports, in the way of creating jobs and allowing the towns and cities around them to flourish.

And so, I just think that sometimes we should keep an eye on not only a tonnage formula, but exactly strategically where we want to be in this country. So I encourage you to look to that.

Mr. Chairman, I yield back.

Mr. GIBBS. Thank you. Representative Brown, do you have another question?

Ms. BROWN. Yes, sir. I do have a couple of comments. First of all, let me just say, first of all, that the President proposed that Congress dispose. So members of this committee and Members of Congress pass a bill that cut Army Corps' funding—that is first of all—and cut it by 10 percent.

Now, if the members on this committee don't like certain aspects of it, pass your bill. You got 200 and what members? All you need is 218 to pass any bill you want to pass. You control this House, and you keep talking about waste and abuse. Iran and Iraq and Afghanistan, over $60 billion. Halliburton. So this is Transportation. And in the past, Transportation have always worked bipartisan. And if you don't like any of the proposals of the stimulus, some job proposal, pass your bill. And you only need 218. And you got one more. So you got one. I would vote with you on any bill that you have to straighten out this mess that we are talking about today.

So, you don't have to talk the talk, you can walk the walk. Introduce the bill. I guess that is the purpose of the hearing, to lay out how we can improve the funding.

Now, let me just tell you something else. I am not going to vote for a bill for Transportation and Infrastructure for the next 6 years that is $230 billion. I mean, clearly, we need about $500 billion or $600 billion. Transportation is comprehensive. You can't just dredge the port and then don't have the roads or the rail system to move it, as you just said.

I mean I have been on this committee for 19 years, and we have always worked together. And we are the committee. We are the engine that put American to work. But it is a problem. I mean we are just talking about it, and you know, we are just moaning and groaning. You control the House. You control the votes. Do something, my fellow Americans. Do something, Transportation Committee. Put your bill on the floor. Bring it to the committee.

I mean I am sick and tired of all of the talk when people are unemployed. Someone said something about the nature—"Well, you know, the American people, they understand about how you mortgage your home." Yes, but who paid cash for it? You do—you don't have no money to pay cash for your home or your car. You finance it. You pay your bills. And clearly, we need to put American people to work.

Our competitors are there, and they are not competing with Mississippi and Alabama and Georgia, we are competing with the Japanese and the Chinese. And they have some strict rules when they pull up in Jacksonville. They say they want those ships in and out in a matter of minutes, or they are going somewhere else.

And so, we have got to have our A-game going on, and we need to work together. Our committee has always worked together. So, if you got a better idea, put your idea on the board. Bring it to the floor. Bring it to this committee, and let's get it—let's get—you know, I have a Governor just talks about, "Let's get the work." Well, let's get the work.

And I have some questions that I want to ask, and I know you going to send the answers to the committee, but I want to make sure that I get the answers to those questions about the Jacksonville Port. And I would like to know what it is that we can do to cut some of this paperwork that they been talking about. And I agree with it, it is getting more and more paperwork, and we are not getting the projects done.

So, with that, does anyone have any quick comments to what I have had to say?

[No response.]

Ms. BROWN. Any comments?

[No response.]

Ms. BROWN. Well, thank you very much. I guess you all agree with me.

[Laughter.]

Mr. GIBBS. Representative Harris, did you have a question or comment?

Dr. HARRIS. Yes. Just very briefly, Mr. Bridges, I just have a question for you. Because I think where we left off before, I had asked the assistant secretary what the potential other uses of the Harbor Maintenance Trust Fund is. Because her testimony was, well, you know, this is what we have to decide. You know, we think there is an appropriate amount spent on dredging—I personally disagree with that. But then it says that we actually have to compare other potential use of those funds.

Is there any other potential use that is more important, in your mind, than getting through that backlog of dredging?

Mr. BRIDGES. The short answer is no. We believe that if we expend the revenues that come in on an annual basis that will meet our requirements for maintenance dredging—and from the AAPA's perspective, that is what the fund was designed to do—that is what we would like to have it do.

Dr. HARRIS. How much do you think the backlog is, the total backlog of dredging, to bring all our ports into their authorized width and depth?

Mr. BRIDGES. I am told that if we were to utilize the $1.5, $1.48 billion that is collected, if we were to spend that on maintenance dredging, we could get all of our requirements met.

Dr. HARRIS. Over how many years would that take, of spending the total amount?

Mr. BRIDGES. We really don't—I really don't know the answer to that.

Dr. HARRIS. You don't know. I might ask you to go to your member ports and ask them, you know, exactly how much they would need if tomorrow—their wish list—tomorrow we started dredging all the ports to their width and depth, what it would cost.

Mr. BRIDGES. I will——

Dr. HARRIS. Thank you very much. Thank you very much, Mr. Chairman.

Mr. GIBBS. Mr. Bishop?

Mr. BISHOP. Thank you, and I will try to be brief. I think we all agree that we need—we want to see a greater proportion, if not all, of the revenue that comes into the Harbor Maintenance Trust Fund expended for the purposes for which it is assessed, and that is maintenance of our harbors, and seeing to it that they are dredged an appropriate depth.

But let's recognize, as I said before, the reality. There is only a couple of ways we are going to get there. And one of those ways does not include berating witnesses. We are only going to get there if we are either willing to list the—lift, pardon me—the statutory cap that we have imposed on ourselves for discretionary spending going forward, or if we are willing to make the hard decisions in terms of how we prioritize expenditures within the energy and water appropriations bill.

Now, I will note that the energy and water appropriations bill that passed this House with pretty broad support on the majority side—not every majority member voted for it, but most did—encapsulates, it carries forward the very problem that we are talking about. It carries forward the fact that we are only spending $700 million out of a $1.5 billion pool that is collected.

So, if we are really serious about this, which I think we all are, then we have to write an energy and water appropriations bill that spends the money. And if we are willing to do that, or if we are going to do that, we have to be willing to, as a committee—and I would ask the chairman if we could try to structure a process where we will go to the Appropriations Committee and say, "This is a priority for us, and here are some things that you have made a priority in the past that we now think should be less important." That is something that we have to do.

We are not going to get—we can have every hearing we want—and the RAMP Act, by the way, I am a cosponsor of the RAMP Act, I think it moves us in the right direction, but it does not get us to the Promised Land, if we define the Promised Land as spending $1.5 billion. It just doesn't. We have more heavy lifting to do.

And I very much hope that, as Mr. Peyton said, we can lay down our swords and we can act on what we all say is a priority. And, Mr. Chairman, I hope that we can find some means of doing that with the energy and water appropriators that are our colleagues, so that we can actually move beyond the stage where we are all complaining, but we are not willing to make the hard decisions to put in place a decision.

With that, I yield back.

Mr. GIBBS. Well, I thank you. I want to thank all the witnesses for coming in. I think we highlighted how important it is to make sure we have the infrastructure in place to meet the 21st-century goals, and especially what is going on globally with the Panama Canal widening and deepening. Secretary Darcy, you are quite aware of that. And if we are going to be competitive in the world, we have got to make sure we get this infrastructure done right. So, I look forward to working with you in the future so we make progress on that endeavor.

It is time to—committee is adjourned. Thank you.

[Whereupon, at 12:17 p.m., the subcommittee was adjourned.]

Corrine Brown
M.C.

Statement of the Honorable Corrine Brown
Subcommittee on Water Resources
Hearing on
"Economic Importance of Seaports
October 26, 2011

I want to thank Chairman Gibbs and Ranking Member Bishop for holding today's hearing on the Economic Importance of Seaports.

I want to welcome the CEO of my home port of Jacksonville, Mr. Paul Anderson. Mr. Anderson has only been with the port for a short time, but has laid out an ambitious agenda for growth at the port. Unfortunately, he can't do it without making the improvements that must be authorized before they can begin work.

JaxPort is one of the main economic engines in North Florida. Today, the Jacksonville Port sustains 65,000 jobs with a yearly economic impact of $19 Billion. But without authorization for the Corp projects that will prepare it for post Panamax ships, they're losing money and thousands of potential jobs.

Funding the Corp of Engineers and other port programs at appropriate levels is absolutely critical to our economic recovery. Everyone says they want to create jobs, but cutting funding for the Corp of Engineers is doing the exact opposite. Not only are we losing jobs at our ports, but were losing the engineering ~~and~~ dredging jobs that are created ~~when~~ we improve our ports. In fact, Im sure we will have Members here today who voted for the Continuing Resolution while bemoaning the lack of funding for the Corp.

We need to ~~work to~~ streamline the process for port improvement projects. These critical infrastructure projects keep taking longer and longer to complete ~~because there are new~~ hoops to jump through at every stage of the process.

Finally, we also need to stop holding these projects hostage to the discredited notion that Corp of Engineers projects in the Water Resources Development Act are earmarks. What kind of foolish policy demands that projects be authorized before construction can begin, and then say that you can't get them authorized because they are earmarks? This is the policy, like so many other ridiculous policies created by the Republican Leadership.

A critical deepening project at the Jacksonville Port is being held up for this very reason. They are ready to get to work, but there is no way that we can get it authorized because the Republican Leadership of this House won't let us do it.

These port infrastructure projects put people to work. The facts speak for themselves. For every $1 billion in infrastructure funding, 44,000 jobs and created, as is $6 Billion in economic activity.

With that, I want to welcome today's panelists, and I look forward to their testimony.

MAZIE K. HIRONO
2ND DISTRICT, HAWAI'I

1410 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
PHONE: (202) 225-4906
FAX: (202) 225-4987

HAWAI'I OFFICE
5104 PRINCE KUHIO FEDERAL BUILDING
HONOLULU, HI 96850
PHONE: (808) 541-1986
FAX: (808) 538-0233

NEIGHBOR ISLAND TOLL FREE NUMBERS
BIG ISLAND (808) 935-3756
KAUA'I / NI'IHAU (808) 245-1951
MAUI (808) 242-1818
LANA'I (808) 565-7199
MOLOKA'I (808) 552-0160
Website: www.house.gov/Hirono

Congress of the United States
House of Representatives
Washington, DC 20515

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON AVIATION
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT
SUBCOMMITTEE ON THE COAST GUARD AND MARITIME TRANSPORTATION
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT

COMMITTEE ON EDUCATION AND THE WORKFORCE
SUBCOMMITTEE ON EARLY CHILDHOOD, ELEMENTARY AND SECONDARY EDUCATION
SUBCOMMITTEE ON WORKFORCE PROTECTIONS

DEMOCRATIC STEERING AND POLICY COMMITTEE

HOUSE DEMOCRACY PARTNERSHIP

Mazie K. Hirono

Statement of Congresswoman Mazie K. Hirono
House Transportation and Infrastructure Committee
Subcommittee on Water Resources and Environment
Hearing on
"The Economic Importance of Seaports: Is the United States Prepared for 21st Century Trade Realities?"
October 26, 2011

Chairman Gibbs, Ranking Member Bishop, thank you for scheduling today's hearing on the economic importance of seaports.

The Committee's focus on this vitally important issue comes at a critical moment. The pace of our economic recovery has been far too slow. While we all agree that Congress must work to address the serious challenge posed by our federal debt and deficit, we must also work together to support stronger economic growth.

Improving our port infrastructure is an area where we should be able to work together on a bipartisan basis. There are no Republican ports, or Democratic ports—and everyone, regardless of party, relies on waterborne transportation for everyday necessities. In fact, 95 percent of the nation's imports and exports pass through our ports.

The U.S. imports a tremendous amount of goods. Yet, only three U.S. ports rank in the top 25 worldwide in total cargo volume. Only three U.S. ports rank in the top 25 in total container traffic. If we are to meet President Obama's goal of doubling exports in five years, while also ensuring that we can capitalize on the Panama Canal expansion, we must do more to support our nation's seaports.

In Hawaii, we know firsthand just how important ports and maritime commerce are to our economy. We are the world's most geographically isolated archipelago. Our 10 commercial harbors are the backbone of our economy and our primary commercial lifeline. In fact, Hawaii relies on maritime transportation for nearly 90 percent of the food and other goods our communities depend on.

According to the American Association of Port Authorities, in 2009 the port at Barbers Point handled approximately 9.7 million total tons of cargo—both international and domestic. Honolulu Harbor handled 9.1 million total tons. This cargo volume ranked Barbers Point 48th and Honolulu 49th in the U.S. for total cargo volume handled. Honolulu Harbor also ranked 31st in the nation for domestic trade volume, with 8.4 million tons processed. Despite the tremendous importance to our state's economy, Hawaii's harbors face the same challenges that other U.S. harbors face—ensuring adequate investment in order to remain competitive.

We can do this—and do it on a bipartisan basis. One place to start would be to pass the bipartisan RAMP Act, of which I am a cosponsor. This bill would ensure that all the funds placed in the Harbor Maintenance Trust Fund are used the way they are intended—to maintain our ports' ability to handle the volume of trade we depend on.

Another area that we need to work together on—and it's good to hear Chairman Gibbs raise this issue in his remarks—is to invest in our transportation infrastructure.

I strongly support continuation of the TIGER grant program. TIGER grants target funds to specific projects that have big impacts on local and regional economies. The grants awarded through this program since its creation under the American Recovery and Reinvestment Act are doing a lot of good nationwide for all modes of infrastructure—including at Honolulu Harbor, which was awarded a TIGER grant in 2009 for much needed upgrades.

Since infrastructure investment is so critical, I was disappointed by the President's budget request for the Army Corps. While I recognize the need to be careful about where our tax dollars are spent, the 22 percent cut to the Corps budget will only delay work on vitally important infrastructure projects. I hope that we can work together to find ways to increase the Corps resources.

One other area that I hope to work with my colleagues on is to figure out how we can better direct federal funds toward ports and harbors that need them. Our national economy is strongest when our local economies thrive. Yet, current federal policies make it difficult for remote communities in Hawaii and elsewhere to access the federal assistance we need to support and grow our local economies. I'm sure that this is the case in other places nationwide, and look forward to working with all of you to address this.

Finally, we cannot forget that while the competition we face is global, we must continue to support our U.S. flagged shipping industry. Strengthening our Jones Act fleet, and the U.S. merchant marine generally, will help to create good-paying jobs. It will also help to strengthen our economy and enhance our national security—two concepts that are inextricably linked and tremendously important to our nation's success in the 21st century.

I look forward to hearing from today's witnesses, and hope that we can all work together to ensure that our nation's seaports can support the economic growth our nation needs.

Mr. Landry

Opening Statement

Thank you, Chairman Gibbs, for holding this hearing on the economic importance of our nation's seaports.

Ports on the Mississippi River are responsible for the transport of $100 billion in cargo per year. Ports like the Port of Iberia and Port Fourchon in my congressional district specifically play an important role in our nation's energy security. These ports are crucial to the economic viability of our nation as a whole. These ports' primary service markets are domestic deepwater oil and gas exploration, drilling and production in the Gulf of Mexico. Over 250 companies utilize Port Fourchon and it plays a strategic role in furnishing this country with 15-18% of its entire oil supply and services 100% of current deepwater drilling activities.

Unfortunately, the Corps evaluates ports solely on the tonnage transported through the port and neglects to take into account the importance of the commodity that is transported. Ports like Iberia and Fourchon are greatly important to the energy security of our nation.

Shouldn't we take into account our nation's energy security when it comes to their funding versus tonnage as it exists today?

I have heard from my constituents who work in the oil and gas fabrication supply ports of South Louisiana who have had major challenges when seeking funding for maintenance of our channels, which is necessary for them to compete in domestic and international markets and continue to provide the energy that powers our economy. It just makes sense that the U.S. should be encouraging development of our country's fabrication ports to help maintain our market share and compete with foreign markets such as Brazil, West Africa, and Mexico. We have so much to gain when we maintain and grow good energy sector jobs at home and lessen our dependency on uncertain Middle East imported oil. We reduce our federal trade deficit, create thousands of American jobs, generate billions in tax and royalty revenues to state and federal treasuries, and reduce the dollars sent to foreign governments for imported oil and increase energy security.

The Port of Iberia, due to its water depth, is limited to 4,000 ton topside. This is the most the port can move with the current water depth. The port regularly turns out contracts of $32 million but could do more with further deepening of the channel.

The Port of Iberia has historically maintained a 25% market share of the Gulf of Mexico fabricators. Even with channels in need of deepening and further maintenance, the port's industrial complex is home to over 100 companies that employ 5,000 workers. The annual payroll of the port businesses is $166,000,000 which translates into a $1.4 billion dollar economic impact to our region.

Chairman, I yield back.

Testimony of A. Paul Anderson
Chief Executive Officer of the
Jacksonville Port Authority (JAXPORT)

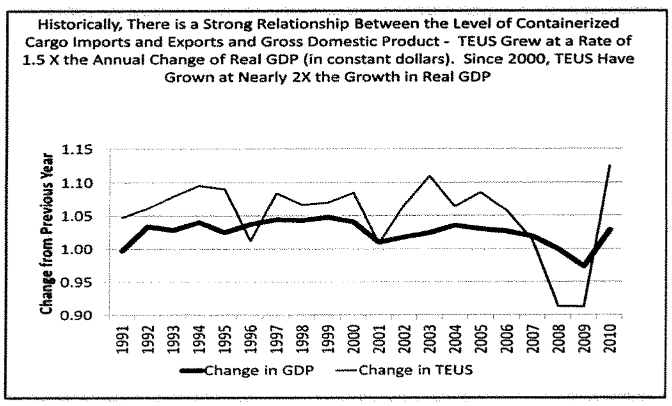
JAXPORT
JACKSONVILLE PORT AUTHORITY

For the Record of the
United States House of Representatives
Transportation and Infrastructure Committee
Subcommittee on Water Resources and the Environment
Hearing: "The Economic Importance of Seaports:
Is the United States Prepared for 21st Century Trade Realities?"
Oct. 26, 2011 – 10:00 a.m.
Rayburn House Office Building

Chairman Gibbs, Ranking Member Bishop and distinguished members of the Subcommittee on Water Resources and the Environment, I am honored to offer comments for the record, as a former Commissioner of the Federal Maritime Commission and current Chief Executive Officer of the Jacksonville Port Authority (JAXPORT), during the Oct. 26 hearing, "The Economic Importance of Seaports: Is the United States Prepared for 21st Century Trade Realities?" Also, I commend Transportation and Infrastructure Committee Chairman Mica and Ranking Member Rahall, for their leadership and their commitment to improving the economic health of America's seaports. It is only through this kind of focus and dedication that we will revive the gateways upon which our nation has always depended and ensure they continue to serve our nation for generations to come.

The United States' seaports play a critical role in our nation's economy. Today, more than 13 million Americans work in positions related to international trade and that trade accounts for more than a quarter of U.S. GDP. Nearly all U.S. cargo, imports and exports, is carried by ship, and volumes are growing. Over the past 10 years, containerized cargos at U.S. ports, measured in twenty-foot equivalent units (TEUs), have grown at a compound annual growth rate (CAGR) of 4.1 percent. Over the past 20 years, TEUs grew at CAGR of 5.1 percent, culminating in a total of more than 41 million TEUs handled by U.S. ports in 2010. [1]

Historically, there is a strong relationship between the volume of containerized cargo and U.S. GDP: TEUs grew at a rate of one and a half times the growth of real GDP. Since 2000, TEUs have grown (and fallen) at nearly two times the change in real GDP.



Using this historical analysis, U.S. real GDP is likely to grow between 2 to 4 percent annually over the next five years, and based upon a 1.5x future growth rate, this equates to a 3 percent to 6 percent baseline growth rate in TEUs at U.S. ports, ***in essence, a doubling of containers handled at U.S. ports in 20 years.*** [2]

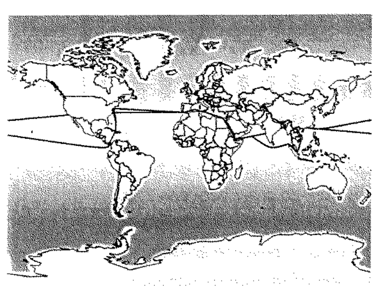
Recent trade agreements are projected to significantly boost U.S. product exports. The South Korean Free Trade Agreement would increase exports by as much as $10.9 billion in the first year, and the agreement with Colombia would increase exports by as much as $1.1 billion per year. [3] This additional business has ample positive economic impact in the U.S. According to maritime economic analyst firm Martin Associates, American jobs created by exports pay 13 percent to 17 percent higher wages than non trade jobs in the economy.

These long awaited trade agreements and analysis of historical trends leave me with no doubt that U.S. container trade will continue to grow through the 21st Century. However, this growth will not be experienced equally across the three major American seaport regions: the Pacific, the Gulf and the East Coast. Mounting economic pressures are leading shippers to demand more efficient transportation networks. Changing global trade patterns, the emergence of new trade routes focused on the U.S. East Coast, the opening of the newly expanded locks of the Panama Canal in 2014 and continuing innovation in logistics practices are facilitating the movement of cargo into and out of our country in dynamic ways.

Changing patterns

Before the advent of the 21st Century, ocean carriers often selected port routings. However, the rise of distribution centers, first on the West Coast, and then shifting over the past 10 years to port communities along the East Coast and Gulf Coast, has transferred the balance of power in port selection to shippers. These large retailers and manufacturers, adversely affected by the West Coast labor strike in 2002 and subsequent port congestion, want to move their cargo from port to distribution as efficiently and as reliably as possible. Thus, instead of routing cargo through West Coast ports and on rail across country to population centers in the Midwest and East, shippers have increasingly used so-called all-water services, with particular emphasis on container services flowing from Asia to East Coast ports. There are two paths available for all-water services: the Panama Canal, and the Suez Canal. Each presents advantages and disadvantages. The Panama Canal's width and depth currently limit the size of vessels, and transit time through the canal to the East Coast is slightly longer than a call to a West Coast port coupled with a rail move. Nevertheless, the Panama Canal offers less expensive transit to the East Coast. The expansion of the Panama Canal, to be completed in 2014, will offer transit to larger vessels with a lower per unit operating cost, making an all-water route to the East Coast even more attractive to both shippers and carriers. The Suez Canal does not present vessel size limitations, but the region's political instability and piracy incidents are causes for concern. Even so, with the rise of manufacturing centers in India and Vietnam, transit times from Asia through the Suez Canal to the East

All Water Routings are Growing [2]



Coast are comparable to transit times from Asia to the West Coast with a rail move.[4]

The Jacksonville Port Authority and the City of Jacksonville, Fla., have benefited from these trends. JAXPORT's 158-acre TraPac Container Terminal, opened in 2009 for Tokyo-based shipping line MOL and its terminal operating subsidiary, TraPac, loads and unloads container ships sailing to and from ports in Asia. Two Panama Canal services plus one Suez Canal service already call the terminal each week. This terminal has doubled JAXPORT's capacity to handle containers. Further capacity additions will result when Hanjin Shipping Company of Seoul, Korea opens the Hanjin Container Terminal at JAXPORT later this decade. This 90-acre facility will serve as a key hub for Hanjin's East Coast port activity and will have the capacity to move an additional 800,000 TEUs annually. These two terminals – the TraPac Container Terminal and the Hanjin Container Terminal – will add 90,000 jobs to the region when operating at full capacity.[5]

Realizing U.S. ports' potential

Unfortunately, the TraPac Container Terminal does not currently offer the federal channel depth required by the larger ships transiting the all-water routes through the Suez Canal today and through the Panama Canal in just a few short years. Ships that do call are lightly loaded, which results in less cargo moves and less jobs; higher transportation costs along transportation routes through West Coast ports or transshipments from off-shore locations such as The Bahamas; and ultimately higher costs for American consumers. Hanjin Shipping Company is ready to invest $300 million to develop their container terminal in Jacksonville – as long as their terminal has access to deep water. Without a deep harbor, it's impossible for TraPac to begin to maximize their $200 million facility investment, and Hanjin continues to wait, wondering if America will commit to investing in its own waterways.[6]

With increasingly larger ships calling the East Coast, it is now more crucial than ever for the United States to invest in its gateway infrastructure. This call for federal investment should come as no surprise. Improving our nation's waterways for navigation and security harkens back to the birth of our country, when General George Washington assigned such missions to the Continental Army.[7] In the U.S. Constitution, Congress is charged with the task of regulating commerce in Article I, Section 8. Yet, the full authorized depths and widths of U.S. waterway navigation channels are available only 35 percent of the time.[8] Harbor projects take an average of 12 years to complete. The Corps' cumbersome review procedures are not consistent with the President's initiative to reduce red tape and streamline preconstruction federal review procedures for major infrastructure "jobs creating" projects. The President's Aug. 31 directive to five federal agencies - Agriculture, Commerce, Housing and Urban Development, Interior and Transportation - called for identification of high priority infrastructure projects for expedited review. This expedited review initiative should be extended to the Army Corps. Additionally, Independent Peer Review – a procedure required by Sec. 2034 of the Water Resources Development Act (WRDA) of 2007 – should not be applied to Corps studies begun prior to the two year period preceding enactment of the law, as expressly stated in Sec. 2034 (h).

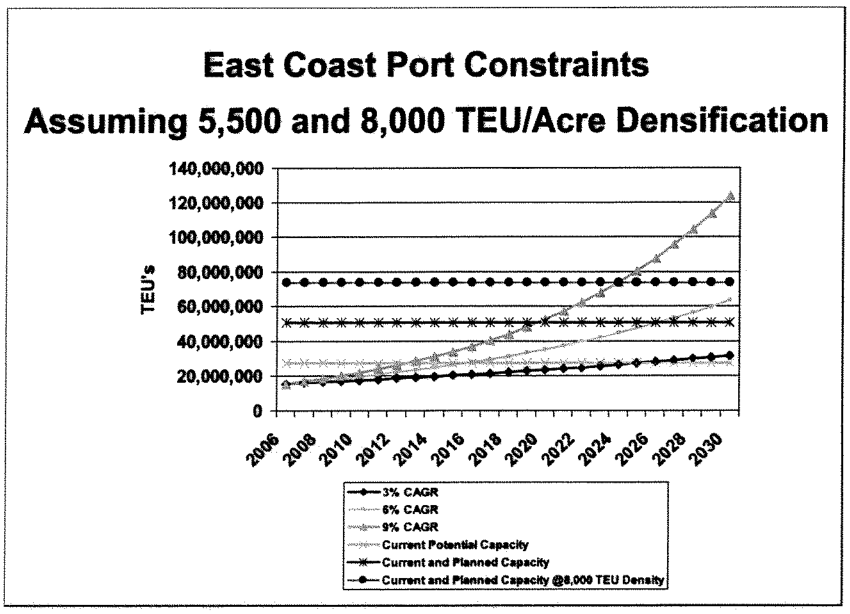
Because of procedural delay, most East Coast ports are not authorized to dredge to deep-draft requirements. Harbor project sponsors attempt to wade through the muddied and shifting approval, authorization and appropriation process, and changing requirements are making it increasingly difficult to move forward with these critical projects. In Jacksonville, the U.S. Army Corps of Engineers recently added an additional level of review by requiring "Harbor Sym modeling" for our city's deep draft navigation project. This new requirement has not been applied to previous deep draft projects, will increase costs to the federal government and the Jacksonville Port Authority, and will extend the timeline for completion of the project by one year. Any business leader assessing the current situation would quickly determine our country's process for prioritizing, approving and funding critical infrastructure projects is fundamentally broken.

In a coordinated effort to move our process into the 21st Century, many of my fellow port directors and I, in conjunction with the American Association of Port Authorities (AAPA), have entered into a unique partnership with the Army Corps. Our working group identified several ways to streamline harbor project completion, including:

- Generating additional policy options to allow non-federal sponsors to construct the "federal" project;
- Re-evaluating Corps policy concerning the "advanced funds" for authorized projects;
- Allowing sponsors to be reimbursed for federal operations and maintenance of the channel, including dredging and maintenance of disposal areas;
- Reducing time and cost of feasibility reports;
- Maintaining consistent Corps policy to ongoing studies;
- Refraining from requiring last minute studies and/or new requirements;
- Publishing what is required in the beginning of the process;
- Reducing time to obtain Corps regulatory permits;
- Adhering at all levels within the Corps to schedules developed by the District; and
- Generating policy to allow federal assumption of maintenance when non federal interests construct improvements.

In addition to procedural reformation at the Corps of Engineers, Congress must accept its own responsibility to maintain the nation's ports and harbors. Toward that end, I applaud the efforts of Transportation and Infrastructure Committee Chairman Mica, Representative Boustany and the co-sponsors of H.R. 104 to make full use of the Harbor Maintenance Trust Fund. This is an excellent first step toward ensuring a sustainable future for American waterway navigation. However, due to the moratorium on earmarks, the next WRDA bill will not include project authorizations. There is no authorizing mechanism in place at this time. Yet there are 11 completed Army Corps Chief of Engineers reports, with another three to six anticipated within the next several months, including the report for Jacksonville Harbor Mile Point (by March 2012). Until such time as the earmark moratorium is lifted or there is a new authorizing mechanism established for Corps projects, Congress should provide an interim mechanism to allow the Army Corps to move forward with projects that are time sensitive and critical to navigational safety. To fully realize the potential of U.S. ports to jumpstart the nation's economy, I urge Congress to include language in the Surface Transformation bill to streamline Corps processes as outlined above, authorize harbor projects and embrace investments in our country's navigation channels. Other recommendations include: 1) reduce or eliminate Army Corps requirements regarding initiation of the independent, external peer review; and 2) enactment of Sec. 110 of the House-passed FY 2012 Energy and Water development appropriations bill which facilitates fast tracking of project design by allowing non-federal sponsors to contribute towards the federal share of design costs.

The needs of our nation's landside port infrastructure will also grow over the next 20 years as containerized cargos are projected to double in volume. Assuming a compound annual growth rate of between 3 percent and 6 percent, currently configured East Coast ports will reach full capacity later this decade.[9] Including planned improvements in the analysis will accommodate capacity needs for another 10 years, but clearly ports must begin planning now for new facilities, modernization, mechanization and densification to use terminal space most efficiently.



Assuming a compound annual growth rate of between 3 percent and 6 percent, currently configured East Coast ports will reach full capacity later this decade.[9]

Faced with diminishing budget opportunities and great needs, I believe it is time for a shift in our federal business model with regard to investments in new port terminals and intermodal facilities. I cannot overstate the importance of integrating ports into the U.S. transportation system. Our nation must develop efficient, modern intermodal connections, so that direct port-rail and port-highway corridors can increase the flow of goods to and from our nation's gateways. Congress can assist with this effort by including maritime title in transportation reauthorization legislation, which will recognize the importance of intermodalism to our nation's transportation network.

If we are to move ahead and seize the opportunities before us, we also must be prepared to further explore and strongly support public-private-partnerships, or P3s, to fund landside port infrastructure. Several vehicles have been explored recently, from pre-payments to a combination of concessions and annual payments, to increased use of municipal bonds on behalf of private equity. The Jacksonville Port Authority successfully employed a P3 transaction recently with Tokyo-based shipping line MOL. JAXPORT contributed $20 million toward the construction of the TraPac Container Terminal, and MOL contributed $210 million in exchange for low interest financing via special purpose facility bonds, city excise tax bonds and a loan from the State Infrastructure Bank of Florida. We stand prepared to employ another public-private-partnership with Hanjin Shipping Company of Seoul, Korea, to develop the 90-acre, $300 million Hanjin Container Terminal, and we will be seeking other creative and forward thinking methods for funding the port of the future.

The great disconnect

Seaports have never been especially high on the federal government's list of visionary investments. For some reason, it has rarely resonated with our leadership that the roots of this nation are firmly grounded in seafaring and our economy is inescapably linked to our waterways and international trade. Perhaps that's because spending money on modernizing docks and equipment, maintaining the nation's waterways and digging deeper to accommodate today's larger ships seems like so much housekeeping. Certainly, on the surface, it doesn't sound as forward thinking as spending $53 billion on a high-speed rail system. Or perhaps it's because the individual lawmaker's constituent, the average American consumer, gives little thought to how products move to the shelf at their local supercenter or mega grocery or mom and pop; how the item we need is ready for purchase as we dash in to grab that container of coffee or computer part or whatever necessity of modern life is absolutely essential at that very moment. And on top of it all, we select from an assortment of products, price points and bells and whistles; so much variety – delivered daily courtesy of the nation's seaports – that it staggers the mind.

We are so accustomed to our reliable delivery system for goods that we take it for granted. I shudder to think of the outcry should our consumer products get stuck on the docks because we no longer have the infrastructure to move them...or worse, because of catastrophic failure from lack of investment, such as the I-35W Mississippi River bridge collapse in 2007.

Despite the stepchild status typically afforded ports, the fact is, with proper strategic investment now, our national recovery will come by sea. Every dollar invested in port facilities returns seven-fold.[10] Nearly all U.S. cargo, imports and exports, is carried by ship. Are we really going to beef up domestic manufacturing and increase export volumes in the next decade? How will we move it to the rest of the world without investing significantly in our nation's gateway infrastructure?

Many of America's most critical port projects – and the new jobs these improvements guarantee – are stuck in neutral because of inefficient and overlapping bureaucracy and lack of commitment from our nation's leaders. Harbor improvements are not "pork barrel" legislative gifts. The nation's deepwater ports system is fundamental to trade, and our individual port gateways are vital to the logistics supply chains of U.S. importers and exporters. To realize the maximum, positive economic impact from these global shifts in trade patterns, the United States must invest in its gateway infrastructure.

Port progress is everyone's business. It's time to correct the disconnect.

Thank you for the opportunity to present these findings and offer my comments.

A. Paul Anderson
Chief Executive Officer
Jacksonville Port Authority

References

1. "The Dynamics of the US Container Market and Shifting Trade Patterns – Implications for Florida Ports" – Presentation by Martin Associates, 2011
2. "The Dynamics of the US Container Market and Shifting Trade Patterns – Resulting Implications" – Presentation by Martin Associates, 2011
3. "Obama to Sign South Korea, Colombia, Panama Deals Oct. 21" – Bloomberg Businessweek, Oct. 18, 2011
4. "Sailing into the New Century" – Industry Today, Volume 13, Issue 2
5. "Projected Economic Impacts of MOL/TraPac, Hanjin Terminals" – Study by Martin Associates, Sept. 2009
6. "Hanjin cargo terminal delayed up to two years at JaxPort" – The Florida Times-Union, Jan. 24, 2011
7. USACE.army.mil, History
8. Testimony of Kurt J. Nagle, President and CEO of the American Association of Port Authorities – United States House of Representatives, Transportation and Infrastructure Committee, Subcommittee on Water Resources and the Environment, Hearing: "H.R. 104, the Realize America's Maritime Promise (RAMP) Act", July 8, 2011
9. "Overview of East Coast Container Capacity" – Presentation by Martin Associates, 2007
10. "AN ECONOMIC ANALYSIS: Priority Seaport Projects to Expand Capacity, Enhance Competitiveness, Accelerate Economic Growth, and Create Well-Paying Jobs Statewide" – Study by Martin Associates, Feb. 2011

Appendix A

"Florida Seaports: A Dynamic Economic System" – presentation by Florida Ports Council

Appendix B

"Excerpts from 2011 JAXPORT Directory: JAXPORT Overview, Facilities, Cargo Handling" – Jacksonville Port Authority (JAXPORT), 2011

Florida's Seaports:
A Dynamic Economic System

Florida Ports Council

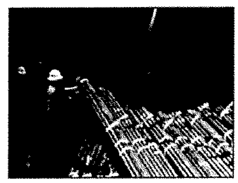
www.flaports.org

Florida's Lifestyle Flows through Florida's 14 Seaports

Almost everything Floridians wear, eat or use in their daily lives flows through our seaports.

Goods shipped through our sea ports include:

- Aggregates, Asphalt, Automobiles, Automotive Parts, Aviation Fuel
- Building Materials, Clothing, Coffee, Concrete, Copper, Dairy Products, Feeds, Fertilizers, Fruits, Furniture



- Gasoline, Grain, Household Appliances, Leather Goods, Lumber, Newsprint
- Orange Juice, Paper Products, Steel, Power Plant Fuel, Refrigerated Products, Salt

International Trade

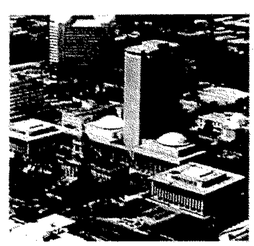
Waterborne international trade moving through Florida seaports was valued at $82.5 billion in 2008, accounting for nearly two-thirds of our state's total $130.5 billion in international trade.

Seaport Jobs and Wages

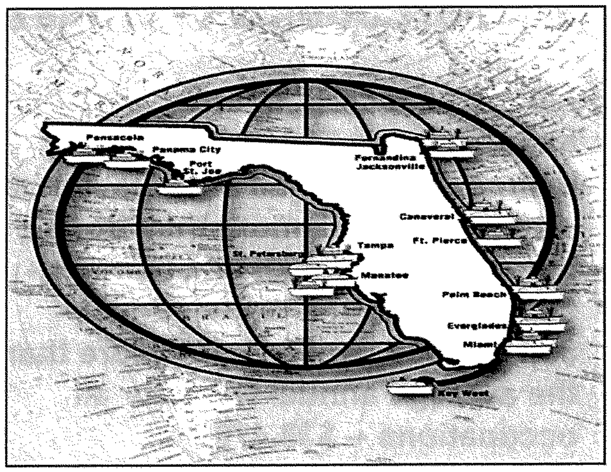
- Florida seaports generate approximately 550,000 direct and indirect jobs with an average annual wage of $54,400, more than double the average wage of all other non-advanced degree occupations -- $26,933 and over $15,000 more than the average annual wage for all occupations -- $38,470.

State and Local Tax Revenues

- In 2008, maritime cargo activities at Florida seaports contributed more than <u>$1.7 billion</u> in annual state and local tax revenues.



Florida's 14 Public Seaports



Florida's Seaports Are All Different

- Some are just a few acres in size; others, more than 2,000 acres.
- Some are urban ports, locked in the middle of busy downtowns; others are in tourist-based communities; still others are rural.

They Differ in Operations and Governance

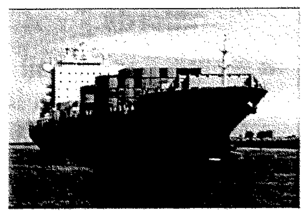
- Some are "operating" ports; others are "landlords."
- Some control all port operations in their area; others are surrounded by private terminals.
- Some are single purpose cargo ports; others have diversified to include multiple operations.
- Some are special districts; others are county or city departments.

They Differ in Resources and Needs

- Adequate channels and harbors?
- Landlocked or room to grow?
- Rail and/or interstate access?
- Supportive communities?
- Sufficient revenues?
- Security needs?

But...They Share a Common Public Purpose and Create Florida's Dynamic Seaport System

The collective mission of Florida's seaports is to "*enhance the economic vitality and quality of life throughout the state by fostering the growth of domestic and foreign waterborne commerce....*"



Seaports Operate in a Unique Environment ...

- Focused, but dynamic transportation purpose: the movement of cargo -- bulk, boxed, or breathing.
- Transportation purpose requires physical attachment to the water; seaports cannot pick up and move.
- Transportation purpose creates dependency on landside connections, but often no seaport jurisdiction over essential road, rail and air infrastructure.

Seaports Are Hubs in a Logistic Delivery Chain

- Seaports are dependent upon the Federal Government to keep their channels dredged. (Waterside)
- Seaports are dependent upon the State to move goods on port for exports and off port to serve Florida's 18 million consumers and 81 Million visitors. (Landside)
- Seaports are dependent upon local balance sheets to build capacity.

...With Unique Challenges

- Seaports must -- and do -- plan ahead to compete with neighboring states for domestic and international market share.
- Unfortunately, *Savannah* delivers a majority of containerized goods to Florida's consumers north of Orlando, taking jobs and revenues from Floridians.
- Seaports are public entities, but must function as entrepreneurs to fulfill their public purpose.
- Flexibility, diversity, prompt response to market needs and conditions – these are a seaport's competitive business imperative.

...and Unique Obligations

- High economic impact and job creation expectations.
- Need to move quickly to satisfy tenants and users.
- Education and labor force training and development.
- Compliance with applicable regulations for both waterside expansion and landside development.

State Funding Sources

- **State Matching Funding Sources:**
  FSTED Program ($218 million from FY 90/91 through FY 09/10 – average of $10.9 million per year over 20 years).
  - 1996 and 1999 FPFC Bond Programs ($431 million)
  - 2007 non-recurring Appropriation of $50 million (GR)
  - Additional funding through SIS and FDOT District discretionary funds

Federal Funding Sources

- Dredging funds allocated by Federal Water Resource Development Bills (WRDA)
- Unlike road, rail, air and transit, NO Federal funds flow through FDOT to seaports.
- NO 2009 Federal transportation stimulus funds allocated to Florida seaports.
- TIGER Grant Funds: 2 Ports in Florida after two rounds.

The Florida Seaport Transportation and Economic Development (FSTED) Program was created in 1990 to:

"Finance port transportation or port facilities projects that will improve the movement and intermodal transportation of cargo or passengers in commerce and trade and that will support the interests, purposes, and requirements of ports located in this state."

(s. 311.07(1), Florida Statutes)

The FSTED Council

- Seaport Membership: The fourteen (14) professional managers of Florida's deepwater seaports sit as voting members on the Council.
- State Membership: Three (3) agency heads or designees sit as voting members on the Council:
  - Florida Department of Transportation,
  - Florida Department of Community Affairs, and
  - Governor's Office of Tourism, Trade and Economic Development.

The FSTED Program

- State Investment Requirements:
  - The FSTED Program provides for a 50-50 matching investment partnership among seaports, the private sector, and the state.
  - FSTED Council-approved priority projects are constructed by local government seaports.
  - Seaports then request reimbursement from the state for 50% of the funds expended on seaport projects.
  - Program funds are disbursed and audited by the Florida Department of Transportation.

The FSTED Program

- **Project Approval Process** (s. 311.09, F.S):
  - Local government seaports submit priority projects to the FSTED Council for review to determine if they are "eligible for review" and contained in the individual seaport's Master Plan.
  - Projects determined eligible are submitted to the FDOT, DCA, and OTTED for determination of "consistency" with state transportation planning requirements, state and local government comprehensive planning requirements, and state economic development goals by creating a positive economic impact.
  - Projects determined by all three state agencies to be "consistent" are submitted for a full vote by the FSTED Council as qualified to receive FSTED Program Funds.

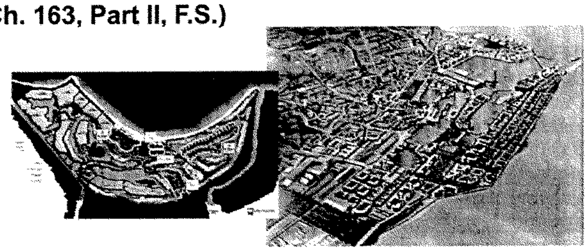
Department of Transportation

- Consistency review of projects with Florida Transportation Plan and Work Program. (s. 311.09(7), F.S.)
- Work with FSTED Council to develop freight-mobility and trade-corridor plans. Integrate such plans into FTP and MPO plans. (s. 311.14, F.S.)

- Audit oversight. (s. 311.07, F.S.)

Department of Community Affairs

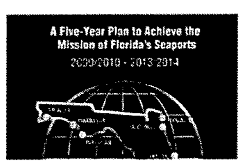
- Seaport Master Plans must be adopted into Local Government Comprehensive Plans.
  (Ch. 163, Part II, F.S.)



- Consistency review of seaport projects with Local Government Comprehensive Plans and Port Master Plans.
  (s. 311.09(6), F.S.)

Governor's Office of Tourism, Trade, and Economic Development

- Review projects for consistency with Seaport Mission Plan and for State Economic benefit.
  (s. 311.08, F.S.)



FLORIDA CHAMBER of Commerce

FEDC

eflorida Enterprise Florida

FSTED Administrative Costs

- Pursuant to section 311.09(12), F.S. – no state funds are used for administrative costs. All funds appropriated by the Legislature go to build infrastructure or statutorily authorized programs.
- The FSTED Program is a "pay as you go" program. Seaports that receive matching funds pay a fee from their local operating revenues for the administrative costs of the program.

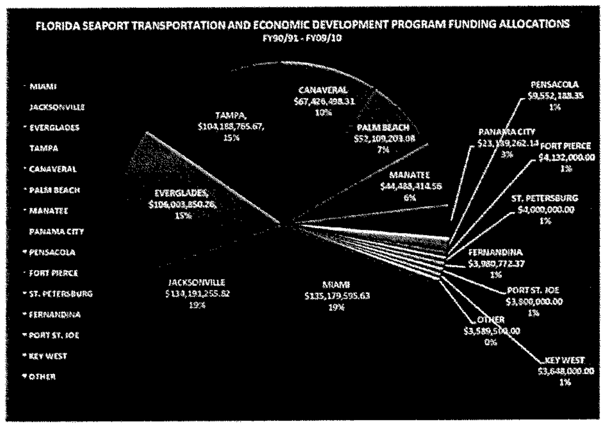
A 50-50 state/seaport partnership
--through the FSTED Program--
has invested more than

$1.5 billion

of state and seaport funds for
seaport facility improvements consistent
with Port Master Plans

According to a FDOT Study, this investment by the state has resulted in a return of no less than $6.90 for each state $1.00 invested.

FSTED Funding Allocations



FSTED Program and
$50M Legislative Stimulus Program (GR)
<u>20-Year Matched</u> Funding Allocations
FY90/91 – FY09/10

$699.4 M

1. Port of Miami	$135.2M
2. JAXPORT	$134.2M
3. Port Everglades	$106.0M
4. Port of Tampa	$104.2M
$479.6M or 68.6% of funds	

5. Port Canaveral	$67.5M
6. Port of Palm Beach	$52.1M
7. Port Manatee	$44.5M
8. Port Panama City	$23.2M
$187.3M or 26.7% of funds	

9. Port of Pensacola	$9.6M
10. Port of Ft. Pierce	$4.1M
11. Port of St. Petersburg	$4.0M
12. Port of Fernandina	$3.9M
13. Port of Port St. Joe	$3.8M
14. Port of Key West	$3.6M
Other	$3.5M
$32.5M or 4.7% of funds	

Note: Numbers rounded.
Funds included: Chapter 311, F.S.; 1996 and 1999 Bond Programs, [320.20(3) and (4), F.S.]; and $50M Legislative Stimulus Program (GR). "Other" includes statutorily authorized expenditures. Ports provided the required match.
Source: Florida Ports Council 2-15-10

The Impact of the Florida Legislature's $50 Million Investment in Seaport Infrastructure on Florida's Economy

- The 2007 Florida Legislature approved $50 million from General Revenue for priority seaport infrastructure improvements as part of an economic stimulus package.
- The funding was distributed through the Florida Seaport Transportation and Economic Development (FSTED) Council to those ports with priority projects approved by the state and ready to go.
- Like all FSTED-funded projects, port and private-sector funds matched the state's money on at least a 50-50 minimum basis.

JOBS, ECONOMIC DEVELOPMENT, AND TAX REVENUES

In the short term, the state's $50 million investment in nine seaport projects has created or is creating nearly <u>1,200 construction jobs.</u>

When completed, these seaport projects will create more than 17,700 permanent jobs and will generate <u>annually</u>:

- $1 billion in personal income and consumption
- $1.3 billion in business services revenue
- $285 million in in-state purchases
- $130.4 million in state and local taxes*

The long-term benefit to Florida's economy of this $50 million investment can be measured in the thousands of new jobs and the billions of dollars that will flow through every region of the state on an <u>annual, sustainable basis.</u>

*Martin Associates Economic Impact Models for the Florida Port System commissioned by the Florida Ports Council, March 2008.
U.S. Bureau of Economic Analysis Regional Input Output Model developed for the State of Florida.

The Balance Sheet

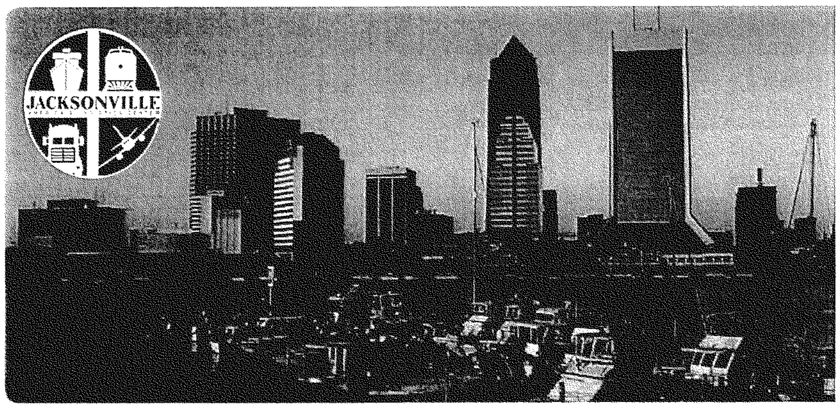
- **The FSTED process works!**
  - It has a proven track record of success.
  - It is responsive to the needs of Florida businesses and consumers.
  - It leverages state investments with local, federal and private-sector investments.
  - It is an open government, transparent process subject to audit and review.

Florida's Seaports:
A Dynamic Economic System

Florida Ports Council

www.flaports.org

Jacksonville, FL: America's Logistics Center



Ranked in the "Top 10 Hottest Cities" that will lead job growth through 2015 by *Business 2.0*, Jacksonville is the heart of Northeast Florida, a metropolitan region with 1.5 million people. While manufacturing, medical, military, aerospace and financial industries provide the base for a diverse economy, one of the greatest economic opportunities for the region lies in logistics, transportation and international trade.

The city's strategic geographic location offers many advantages for expanding businesses. With access to more than 55 million consumers within an eight-hour drive, Jacksonville is located at the crossroads of three interstate highways (I-95, I-10 and 1-75) to help speed goods to market. More than 100 trucking and drayage firms operate in and around the port to take advantage of the city's highway system. Additionally, importers and exporters shipping through Jacksonville enjoy services from two Class-I rail networks (CSX and Norfolk Southern), and one regional railroad (Florida East Coast Railway). Distribution operations are further enhanced by Foreign Trade Zone No. 64, which hosts more than 7 percent of all Florida businesses and offers reduced or eliminated duties to companies engaged in international trade.

Population: Jacksonville is the 13th largest city in the United States, with 1.5 million people in the Northeast Florida region.

Land area: At 875 square miles, Jacksonville is the largest city by area in the continental United States.

Young, dynamic workforce: The city's median age is 37, equal to the national average and three years less than Florida's average.

Median commute time: 21.9 minutes

Moderate climate: Average Winter High of 64 °F (18 °C) and Average Summer High of 91 °F (33 °C)

Pro-business environment: Jacksonville is home to three Fortune 500 companies: CSX, Fidelity National Financial and Winn Dixie Stores. More than 80 local companies have national or divisional headquarters in Northeast Florida. □

For more information:

Jacksonville Regional Chamber of Commerce
expandinjax.com
myjaxchamber.com

Jacksonville, Fla. - City of Jacksonville
coj.net

Jacksonville Economic Development Commission
jaxdevelopment.org

JAXPORT Overview

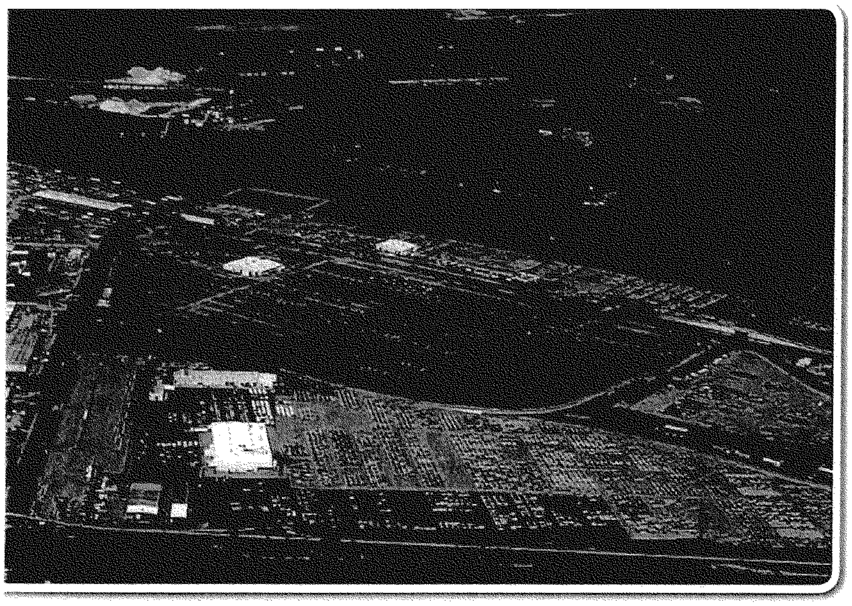
The Jacksonville Port Authority (JAXPORT) is a full-service, international trade seaport in the Southeastern United States. JAXPORT owns and manages three cargo terminals and one passenger cruise terminal in Jacksonville, Fla., including the Blount Island Marine Terminal, the Dames Point Marine Terminal, the Talleyrand Marine Terminal and the JAXPORT Cruise Terminal. JAXPORT also manages the St. Johns River Ferry, which connects the north and south ends of Florida State Road A1A in Duval County.

JAXPORT and its maritime partners handle containerized cargo, automobiles, recreational boats and construction equipment (Ro/Ro), dry and liquid bulks, breakbulk commodities, and over-sized and specialty cargoes. JAXPORT's three marine terminals handled a total of 8 million tons of cargo and more than 518,000 vehicles in fiscal year 2010, making JAXPORT the second largest vehicle port in the United States and No. 1 in U.S. auto exports.

JAXPORT terminals feature 16 container cranes, on-dock refrigerated & freezer warehousing, Foreign Trade Zone status and outstanding intermodal connections. To help speed goods to market, shippers can take advantage of Jacksonville's location at the crossroads of three major railroads (CSX, Norfolk Southern and Florida East Coast Railway) and three interstate highways (I-95, I-10 and 1-75).

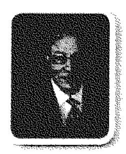
A network of privately-owned maritime facilities also operates in Jacksonville's harbor, and in Northeast Florida, more than 65,000 jobs are related to port activity, which creates an economic impact of almost $19 billion annually. ☐

For more information:
jaxport.com

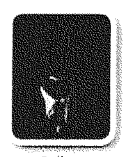


JAXPORT Board of Directors

JAXPORT has an unpaid, appointed seven-member Board of Directors which provides policy guidance for the Authority. Four Board members are appointed by the Mayor of Jacksonville and three members are appointed by the Governor of Florida. Board members serve four-year terms and may be appointed to one additional term.

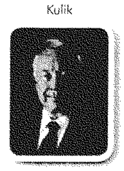

Kulik


Fowler


Gaffney

JAXPORT 2011 Board of Directors

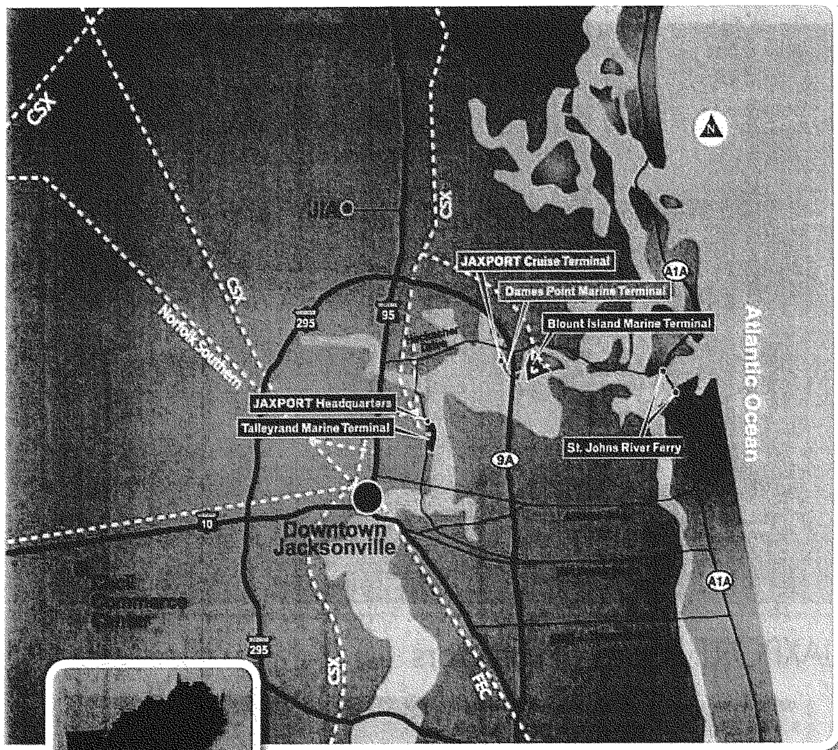
David G. Kulik - Chairman
L. Buck Fowler - Vice Chairman
To be appointed - Treasurer
Reginald Gaffney - Secretary
Stephen D. Busey - Member
James P. Citrano - Member
Joe York - Member


Busey


Citrano


York

Facility Locations



Located in the Southeastern U.S., Jacksonville, Fla. is situated at the crossroads of the nation's rail and highway network. Three railroads - CSX, Norfolk Southern and Florida East Coast Railway - operate in Northeast Florida, and three interstates (I-10, I-75 and I-95) provide fast access to major markets throughout the United States. ☐

Travel time from Jacksonville

City	Distance	By Truck
Atlanta	306 miles	6.5 hours
Charlotte	388 miles	7.5 hours
New Orleans	551 miles	9.1 hours
Louisville	712 miles	12 hours
Cincinnati	792 miles	13.2 hours
East St. Louis	853 miles	14.2 hours
Memphis	913 miles	13.5 hours
Chicago	1062 miles	17.7 hours

Blount Island Marine Terminal

Located only nine nautical miles (16.7km) from the Atlantic Ocean, JAXPORT's Blount Island Marine Terminal has more than 6,600 linear feet (2,012m) of deep water berths. This 754-acre terminal is JAXPORT's largest marine facility and one of the largest vehicle import/export centers in the United States. The terminal also handles Ro/Ro, heavy lift, breakbulk and liquid bulk cargoes.

Blount Island has one 112-ton whirly crane and six container cranes (three 50-ton cranes, one 45-ton crane and two 40-ton cranes), with two additional cranes under construction and planned for delivery in summer 2011. The terminal also offers 240,000-square feet of transit shed space and a 90,000-square foot Container Freight Station for cross-dock efficiency.

Major highways are easily accessible from Blount Island, which is located less than one mile from I-295 (State Road 9-A) and only minutes from I-95 and I-10. Plus, I-75 is only a one hour drive west. ☐

Technical Info:

LOCATION
9 nautical miles (16.7km) from the Atlantic Ocean

Blount Island Marine Terminal (gate entrance)
9620 Dave Rawls Blvd.
Jacksonville, FL 32226

JAXPORT Blount Island & Dames Point Operations
5945 William Mills St.
Jacksonville, FL 32226
904-357-3302

TERMINAL AREA
754 acres

MECHANICAL HANDLING FACILITIES
Six container cranes (three 50-ton cranes, one 45-ton crane and two 40-ton cranes)
Two new container cranes to be delivered in Summer 2011
One 112-ton whirly crane

TERMINAL SECURITY
24-hour port security on-site, high mast lighting, interior fencing, security cameras

FOREIGN TRADE ZONE
FTZ #64 covers the entire terminal

USES
Containers, Ro/Ro, Breakbulk and General Cargo

TRANSIT SHED/WAREHOUSING
240,000-square feet of transit shed
90,000-square foot Container Freight Station

RAIL CONNECTIONS
CSX, with on-dock rail service

HIGHWAY CONNECTIONS
I-95 and I-295 (State Road 9A) leading to Heckscher Drive (State Road 105)

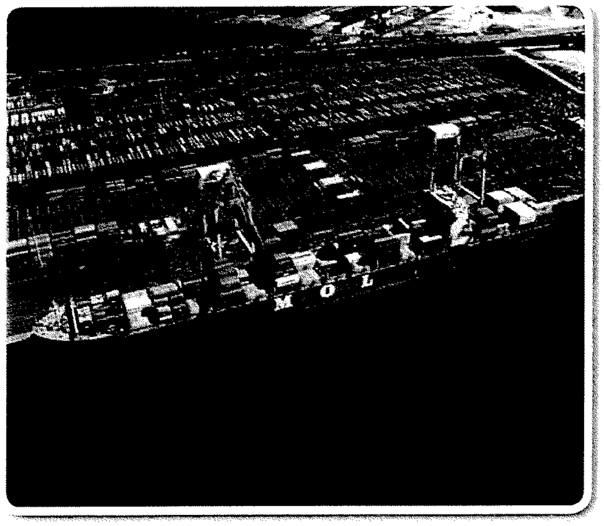
BERTH DIMENSIONS

Berth	Length	Depth alongside mean low water (mlw)	Deck height above median sea level (msl)	Apron width
#20	754 linear feet (230m)	38 feet (11.6m)	+10 feet (3m)	111.5 feet (34m)
#22	600 linear feet (183m)	38 feet (11.6m)	+10 feet (3m)	150 feet (46m)
#30 - #35	5,250 linear feet (1,600m)	40 feet (12.2m)	+9 feet (2.7m)	80 feet (24m) in front of transit shed; 150 feet (46m) elsewhere

TENANTS
832nd Transportation Battalion
Andrew Vazquez, Inc.
APM Terminals
APS East Coast, Inc.
AMPORTS
CERES Marine Terminal
Coastal Maritime Stevedoring
Goodnight International
Hoegh Auto Liners
Ports America
Sea Star Line, LLC
SSA/Cooper
Terminal Services / TICO
Trailer Bridge, Inc.
U.S. Customs & Border Protection
WWL – Atlantic Vehicle Processors
WWL – Vehicle Services America

Dames Point Marine Terminal

Located 10 nautical miles (18.5km) from the Atlantic Ocean, the Dames Point Marine Terminal is home to the 158-acre TraPac Container Terminal, where vessels from Tokyo-based MOL and other carriers offer direct containership service between Jacksonville and ports throughout Asia. The TraPac terminal features new port infrastructure, including roadways, terminal buildings, two 1,200-foot berths and six Post-Panamax container cranes.



Northwest of the TraPac terminal is the future home of the 90-acre Hanjin Container Terminal. This facility will feature two Post-Panamax berths, and it's expected to be ready for ship service later this decade.

Other cargoes serviced at Dames Point include bulk aggregate material on sites ranging about 34 acres in size. ☐

Technical Info:

LOCATION
10 nautical miles (18.5km) from the Atlantic Ocean

TraPac Container Terminal at Dames Point (gate entrance)
9834 New Berlin Rd.
Jacksonville, FL 32226
Ph: 904-696-4900

JAXPORT Blount Island & Dames Point Operations
5945 William Mills St.
Jacksonville, FL 32226
Ph: 904-357-3302

TERMINAL AREA
585 acres

MECHANICAL HANDLING FACILITIES
Six container cranes (two 50-ton cranes, and four 40-ton cranes)
Six 40-ton rubber tired gantry cranes

TERMINAL SECURITY
24-hour port security on-site, high mast lighting, interior fencing, security cameras

FOREIGN TRADE ZONE
FTZ #64 covers the entire terminal

USES
Containers, dry bulk cargoes

RAIL CONNECTIONS
CSX rail available

HIGHWAY CONNECTIONS
I-95 and I-295 (State Road 9A) leading to Heckscher Drive (State Road 105)

BERTH DIMENSIONS

Berth	Length	Depth alongside mean low water (mlw)	Deck height above median sea level (msl)	Apron width
#16	1,200 linear feet (366m)	40 feet (12.2m)	+10 feet (3m)	150 feet (46m)
#17	1,200 linear feet (366m)	40 feet (12.2m)	+10 feet (3m)	150 feet (46m)
#18	1,380 linear feet (421m)	40 feet (12.2m)	+9 feet (2.7m)	15 feet (4.6m)

TENANTS
CEMEX
Martin Marietta Aggregates
TraPac / MOL

Talleyrand Marine Terminal

The Talleyrand Marine Terminal is located 21 miles (38.9km) from the Atlantic Ocean on the St. Johns River. This 173-acre terminal has 4,780 linear feet (1,457m) of berthing space on 40 feet (12.2m) of deep water.

The terminal handles containerized and breakbulk cargoes, imported automobiles and liquid bulk commodities such as turpentine and vegetable oil. Breakbulk cargoes include steel, lumber and paper, and a variety of frozen and chilled goods. Talleyrand is equipped with four container cranes, on-dock rail and 160,000 square feet of transit shed space capable of handling cargo in refrigerated, freezer or ambient conditions. Additionally, a 553,000-square foot warehouse stores a variety of cargoes, including rolls of fine and specialty papers, magazine papers and newsprint.

The Talleyrand terminal also offers two 50-LT capacity rubber tired gantry cranes, both of which straddle four rail spurs totaling 4,800 linear feet (1,463m). Talleyrand's on-dock rail facilities are run by Talleyrand Terminal Railroad, Inc., which provides direct switching service for Norfolk Southern and CSX rail lines. The terminal is only 25 minutes from Florida East Coast Railroad's intermodal ramp, and is conveniently located within minutes of interstates I-95 and I-10. ☐

Technical Info:

LOCATION
21 nautical miles (38.9km) from the Atlantic Ocean

Talleyrand Marine Terminal (gate entrance)
2085 Talleyrand Ave.
Jacksonville, FL 32206

JAXPORT Talleyrand Operations
2064 E. 11th St.
Jacksonville, FL 32206
Ph: 904-357-3205

TERMINAL AREA
173 acres

MECHANICAL HANDLING FACILITIES
Four container cranes (one 50-ton crane, two 45-ton cranes and one 40-ton crane)
Two 50-ton rubber tired gantry cranes
One 100-ton multi-purpose whirly crane
One 40-ton container stacker

TERMINAL SECURITY
24-hour port security on-site, high mast lighting, interior fencing, security cameras

FOREIGN TRADE ZONE
FTZ #64 covers the entire terminal

USES
Containers, Ro/Ro, Breakbulk, Liquid Bulk and General Cargo

TRANSIT SHED/WAREHOUSING
120,000-square feet of refrigerated / freezer space
593,000-square feet of dry storage

RAIL CONNECTIONS
CSX, Norfolk Southern, Florida East Coast Railway (on-dock)

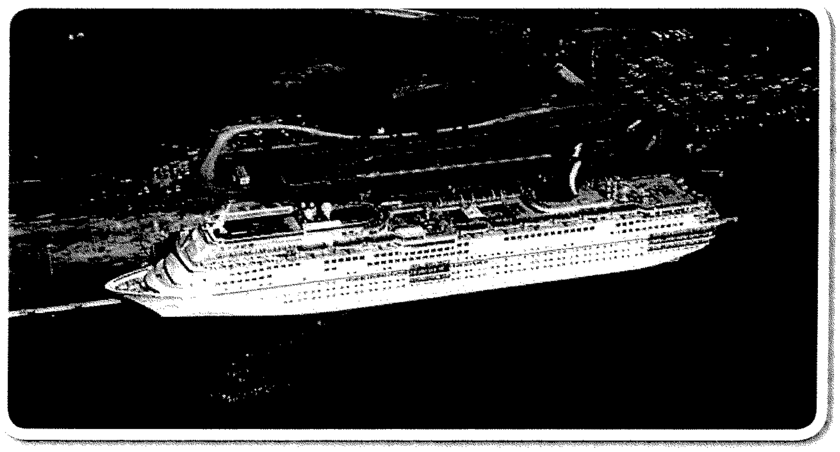
HIGHWAY CONNECTIONS
I-95 and I-10 to U.S. 1 leading to 8th, 11th, or 21st Streets

BERTH DIMENSIONS

Berth	Length	Depth alongside mean low water (mlw)	Deck height above median sea level (msl)	Apron width
#3	680 linear feet (207m)	40 feet (12.2m)	+7 feet (2.1m)	80 feet (24m)
#4	800 linear feet (244m)	40 feet (12.2m)	+7 feet (2.1m)	80 feet (24m)
#5	800 linear feet (244m)	40 feet (12.2m)	+7 feet (2.1m)	80 feet (24m)
#6	800 linear feet (244m)	40 feet (12.2m)	+7 feet (2.1m)	80 feet (24m)
#7	800 linear feet (244m)	40 feet (12.2m)	+7 feet (2.1m)	80 feet (24m)
#8	800 linear feet (244m)	40 feet (12.2m)	+7 feet (2.1m)	80 feet (24m)

TENANTS
Berman Brothers
Crowley Liner Services
Global Stevedoring
Hamburg Süd North America
ICS Logistics
Jaxport Refrigerated Services
Laser International/Pioneer(MSC)
Southeast Toyota
SSA/Cooper
Talleyrand Terminal Railroad
Westway Trading, Inc.

JAXPORT Cruise Terminal



The temporary JAXPORT Cruise Terminal is located on the St. Johns River in North Jacksonville, about one mile west of the intersection of Heckscher Drive and Florida State Road 9-A. The award-winning 63,000 square foot temporary facility currently services Carnival Cruise Lines' *Carnival Fascination*. Carnival and its customers consistently give JAXPORT high marks for quality assurance and customer service.

Carnival and its affiliated companies staff their offices and operations within the cruise terminal building. The Bureau of Customs and Border Protection, under the Department of Homeland Security, clears arriving passengers through the terminal.

In 2010, more than 173,000 passengers traveled through the JAXPORT Cruise Terminal to take 74 voyages aboard the *Carnival Fascination*. Studies show that passengers enjoy cruising from JAXPORT; in fact, 95 percent of passengers recently surveyed said they would consider choosing Jacksonville for their next cruise departure. ☐

For more information:
Cruise terminal information
Ph: (904) 357-3006

Technical Info:

LOCATION
JAXPORT Cruise Terminal
9810 August Drive
Jacksonville, FL 32226

GPS coordinates:
N30 degrees, 24.500'
W081 degrees, 34.650'

Square Footage of Cruise Terminal: 63,000
Square Footage of Baggage Handling area: 28,000
Square Footage of Passenger Embarkation area: 15,000

BERTH DIMENSIONS

Berth	Length	Depth alongside mean low water (mlw)	Deck height above median sea level (msl)	Apron width
#10	1,280 linear feet (390m)	40 feet (12.2m)	+9 feet (2.7m)	80 feet (24m)

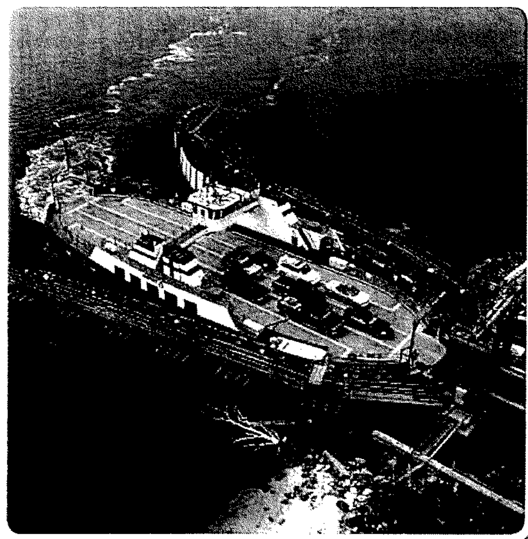
St. Johns River Ferry Terminals

The St. Johns River Ferry operates on the St. Johns River in eastern Duval County, sailing between two terminals located in Mayport Village and Fort George Island, respectively. The ferry service connects the north and south ends of Florida State Road A1A, providing a valuable service for area residents, commuters and tourists. Operated by Hornblower Marine Services, the 0.9-mile ferry transit saves motorists 24 miles over a driving route that uses the Dames Point Bridge to cross the river.

In December 2010, the ramps at each ferry terminal were upgraded with new hydraulic-cylinder-based systems to increase safety, efficiency and reliability. ☐

For more information:
Hornblower Marine Services
stjohnsriverferry.com
(904) 241-9969

St. Johns River Ferry information
(904) 357-3006



Technical Info:

LOCATION
Mayport Terminal:
4780 Ocean St.
Atlantic Beach, FL 32233

Fort George Island Terminal:
9618 Heckscher Dr.
Jacksonville, FL 32226

Please check jaxport.com for up-to-date fare and vessel schedule information.

FARES
Pedestrian / Bicycle $1.00
Motorcycle $3.00
2 axle vehicle $5.00
Each additional axle $1.00
Passenger Bus $10.00
Coupon Book (20 Crossings) $60.00
Semi-Tractor trailer (prohibited)

The ferry operates every day, including holidays.

SCHEDULE
From Mayport Village to Ft. George Island
Monday - Friday departures 6 a.m., 6:20 a.m., 7 a.m., and continuing on the hour and half hour, with the final departure at 7 p.m.

Saturday and Sunday departures 7 a.m., 7:20 a.m., 8 a.m. and continuing on the hour and half hour, with final departure at 8:30 p.m.

From Ft. George Island to Mayport Village
Monday - Friday departures 6:10 a.m., 6:40 a.m., 7:15 a.m. and continuing on the quarter after and quarter before the hour, with final departure at 7:15 p.m.

Saturday and Sunday departures 7:10 a.m., 7:40 a.m., 8:15 a.m. and continuing on the quarter after and quarter before the hour, with final departure at 8:45 p.m.

Key Statistics

FY2010 JAXPORT tonnage

Total: 8,043,925

- Containers: 4,419,331
- Bulk: 1,515,161
- Vehicles: 1,119,080
- Breakbulk: 990,353

Container TEUs: 826,580
Vehicle units: 518,880

FY2010 top import trade lanes by tonnage

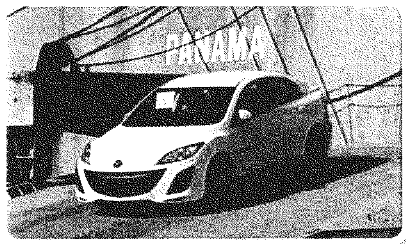
1. Puerto Rico
2. Brazil
3. Finland
4. Japan
5. People's Republic of China

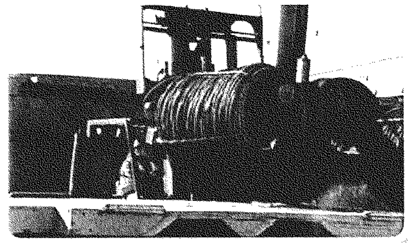
FY2010 top export trade lanes by

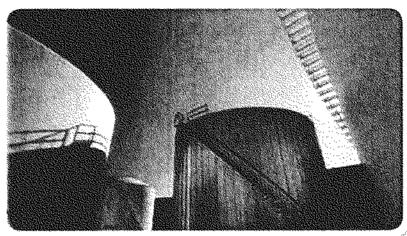
1. Puerto Rico
2. Brazil
3. Saudi Arabia
4. People's Republic of China
5. Venezuela

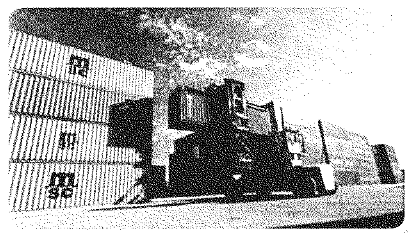
*Fiscal Year 2010 began Oct. 1, 2009 and ended Sept. 30, 2010.

Cargo Handling









With the latest in hi-tech equipment, access to an extensive rail and road network and a commitment to developing new business opportunities and enhancing existing port business, JAXPORT makes it easy to import and export your cargo.

JAXPORT's three cargo terminals can handle every type of general and project cargo. From bulk to containers to vehicles to breakbulk, JAXPORT handled 8,043,925 tons in Fiscal Year 2010. This tonnage included a record number of containers – 826,580 TEUs – as well as 518,880 vehicles, representing a 24 percent increase over 2009 auto volumes. Jacksonville now ranks among the top container ports in the United States and is one of the country's busiest vehicle handling ports.

JAXPORT's maritime partners can handle the following types of cargo:

Containers

Representing about 55 percent of all cargo tonnage handled at JAXPORT, dry and refrigerated containers ranging in length from 20 feet to 53 feet carry a variety of consumer goods. Longshoremen move these boxes via crane from ship to truck and back, and Jacksonville's experienced port labor force regularly exceeds 40 moves-per-hour.

Roll On-Roll Off (ro/ro)

Ro/Ro cargo, including vehicles, construction equipment and recreational boats, is driven onto and off of vessels.

Breakbulk

Raw materials such as lumber, rolls of paper, woodpulp, pallets of boxed chicken and steel are considered breakbulk cargoes.

Liquid bulk

Cooking oil, corn syrup, molasses and other bulk liquids are also handled at JAXPORT terminals.

Dry bulk

Dry bulk materials such as limestone and gravel are carried in a ship's hold and poured into piles on port property at Dames Point.

Project cargo (heavy lift)

Specialty cargoes like locomotive engines, air conditioning chillers for skyscrapers, massive rolls of power cable and other "heavy lift" items can be handled at JAXPORT terminals as well. ☐

TESTIMONY OF OMAR R. BENJAMIN
EXECUTIVE DIRECTOR
PORT OF OAKLAND

BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
TRANSPORTATION AND INFRASTRUCTURE COMMITTEE
WATER RESOURCES AND ENVIRONMENT SUBCOMMITTEE
HEARING: *"THE ECONOMIC IMPORTANCE OF SEAPORTS: IS THE UNITED STATES PREPARED FOR 21ST CENTURY TRADE REALITIES?"*

OCTOBER 26, 2011

Thank you, Chairman Gibbs, Ranking Member Bishop, and Committee Members for holding this hearing today to focus attention on the critical role that seaports play in our nation's economy and how we support and enhance international trade opportunities. America's ports are working every day to prepare for the future and grow our economy and I appreciate the opportunity to share our perspective with you.

I am Omar Benjamin, Executive Director of the Port of Oakland. I also serve as President of the California Association of Port Authorities, which is comprised of the state's eleven publicly-owned, commercial ports and is dedicated to maintaining a vigorous and vital port industry in California, and was recently appointed to serve on the Secretary of Transportation's Port Advisory Committee, as part of the Marine Transportation System National Advisory Council. The Council is charged with making recommendations on removing impediments that hinder the effective use and expansion of the nation's waterways, ports, and intermodal connections, and developing guidelines for a national freight policy from a marine transportation perspective.

The Port of Oakland covers 20 miles of waterfront on the eastern shore of San Francisco Bay, with nearly 1,300 acres devoted to maritime activities and another 2,600 acres devoted to aviation. Our Port is the third busiest container port on the U.S. West Coast, and the fifth busiest in the nation, with nearly 2,000 vessel calls per year. We are also one of the leading export gateways for American products, especially for agricultural goods from throughout the nation, and particularly California's San Joaquin Valley. Over $7.1 billion in U.S. agricultural products for export are shipped through the Port of Oakland annually, helping to maintain a nearly 50/50 ratio of import and export activity and positioning us to support national efforts to increase exports and put Americans back to work.

America's ports do not just create jobs within their local regions, but instead distribute their economic impact throughout the entire nation. Over 70,000 jobs in the Northern California Megaregion and more than 800,000 jobs across the country are impacted by the Port of Oakland's activities. For example, in Chairman Gibbs' home state of Ohio, $385 million worth of goods are imported and exported through the Port of Oakland, helping to generate over 3,500 local jobs in Ohio. In Ranking Member Bishop's home state of New York, Oakland's activities sustain over 25,000 jobs and $2.7 billion worth of cargo.

Businesses throughout the United States have the ability to get their goods to the international market efficiently and competitively. Through the activities of our customers and tenants we create local, state and national tax revenues. If we do not maintain the infrastructure at our ports to stay competitive and maximize our efficiency, the consequences will be felt across the country by the tens of thousands of American businesses whose success is directly tied to international trade.

The Port of Oakland, along with our counterparts in the Pacific Northwest and the Pacific Southwest, is facing unprecedented competition from our neighbors in Canada and Mexico. Both countries are developing comprehensive national freight shipping programs, supported by all levels of government and coordinated with private rail companies and shipping firms. These national freight programs are specifically designed and tailored to divert the trade that goes through U.S. West Coast Ports. Both Canada and Mexico have invested heavily in major port modernization and expansion projects that have fundamentally challenged our U.S. Pacific Coast trade network. Canada, especially, offers direct rail connections to the Midwest through the Port of Prince Rupert. The U.S. stands to lose tax revenue and jobs if these trends continue. The Port of Oakland, along with its sister ports in Los Angeles, Long Beach, Seattle, Tacoma and Portland has formed the U.S. West Coast Collaboration to elevate the importance of the U.S. West Coast ports' competitiveness and address national policy concerns. We have also partnered with our Class I railroads (the Union Pacific Railroad and BNSF Railway), as well as labor and terminal operators (ILWU and the Pacific Maritime Association) to preserve the job creation and the economic benefits of our operations.

We all recognize that improvements in rail, road, airport infrastructure, and deep-water access are all crucial to an effective transportation system that delivers jobs, economic growth, and long-tem benefits for the region, state and nation. Yet what the federal government is lacking is a coordinated national goods movement strategy that can address these multiples modes of transportation in a clear, consistent, and coordinated manner. There must be a seamless connection between all modes of transportation to ensure a reliable and cost-effective supply chain. In addition, this coordinated federal strategy can help to prioritize spending and maintain the significant federal investments that have already been made in what are essentially national assets.

In the absence of such a federal strategy, and in addition to an enhanced level of cooperation among our U.S. West Coast network of ports, Oakland is building on its long and successful track record in developing Public-Private Partnerships to maximize landside and waterside improvements and connections. We have formed a strategic partnership with China port operator China Merchants Holdings International Company Limited (CMHI) to promote and extend supply chain services for U.S. exporters throughout China. The form and scale of this partnership is a first for the U.S. port industry. With China serving as a significant and rapidly growing market for our nation's food and agriculture products, this initiative will make it easier, safer and faster to export U.S. commodities.

This partnership follows on the success of an innovative 50-year agreement with PortsAmerica Group to modernize one of our largest marine terminals and ensure that it will be privately maintained for decades to come. This is a win-win for PortsAmerica Group and the Port of Oakland, as it secures a private long-term investment in the success of the Port, while allowing PortsAmerica Group to manage its terminal investments and improvements in a manner that is consistent with the market conditions and opportunities.

Our private rail partners are also making significant investments to remove bottlenecks that will expand the Port's connectivity to interior points of the U.S. For example, the Union Pacific has raised its tunnel clearances along the Donner Pass and the Central Rail Corridor, which allows for increased throughput of intermodal cargo to the Midwest, with reduced travel times. BNSF also is working with the State of California to improve the rail connection through the Tehachapi Mountains. All of these demonstrate that U.S. West Coast ports, and Port of Oakland in particular, will remain a robust part of the nation's goods movement supply chain for decades to come.

While we recognize that the expansion of the Panama Canal will have significant implications for ports and communities throughout the nation, we do not take for granted that expanded all-water service to the East Coast will achieve the anticipated demand levels that will necessitate a dramatic readjustment of federal maritime-related investment priorities. Cargo volumes post-2014 will be dependant on numerous variables, including the impact of as-yet undisclosed transit fees through the canal. Significant additional research and a better understanding of the supply-chain needs of individual shippers will be required before any conclusion can be reached that might direct the already limited federal dollars available for seaports.

For its part, the Port of Oakland is committed to investing in vital infrastructure to ensure the long-term competitiveness of our operations. For example, we are in the midst of a $100 million capital program to invest in shore power infrastructure at our terminals. This will reduce the emissions of container vessels while they are at berth in Oakland and will protect the health of local residents. We have also partnered with the federal government and our region's sister ports through the TIGER program to create a Green Trade Corridor and establish a marine highway between the Ports of Oakland, Stockton, and West Sacramento. By creating an efficient and complementary alternative to the traditional truck drayage model, we can reduce congestion on local highways and provide more options for our shippers and customers.

As the federal government looks to trim spending and address our nation's debt, however, we cannot underestimate the importance of investing in strategic assets like seaports, which deliver jobs and tax revenue back to the federal government. In 2001, for example, construction began on the Port of Oakland's 50-foot deepening project, and now that it is complete it is has given us the ability to support the latest generation of larger, more efficient container vessels. The 50-Foot Project included the widening and deepening of the Harbor Entrance, Outer and Inner Harbor channels, and two turning basins to -50 feet, as well as local business and utility relocations.

The Port itself paid not only its cost-share for the dredging, but also the entirety of berth deepening and wharf-strengthening that was required. The Port also completed more than $800 million in expansion projects at its own expense, consisting of building two new marine terminals, an intermodal rail terminal, realigned roadways, and a 40-acre public waterfront park. The investment of federal funds leveraged millions in Port funds and has helped us attract new tenants and convince our existing customers to invest in building and expanding their facilities in Oakland. The project created over 8,800 jobs in construction, engineering, maritime, trucking and shipping. It increased annual business revenues for the Port's customers by $1.9 billion, and it raised local tax revenues by $62 million per year. The dredged material itself was reused to restore hundreds of acres of wetlands along the San Francisco Bay, providing a huge environmental benefit to the region. These outcomes resulted in the 50-foot project being rated with an extraordinary 11-to-1 benefit-to-cost ratio by the U.S. Army Corps of Engineers.

Now that the deepening has occurred, however, we are engaged in yearly efforts to ensure that adequate maintenance dredging funds can be released to maintain our channels at its authorized depth. Our shippers pay Harbor Maintenance Taxes on the value of their import cargo, which is in turn credited to the Harbor Maintenance Trust Fund (HMTF). These are user-supported fees that support critical maintenance dredging at no cost to the federal government. Yet while the HMTF currently is running a significant surplus every year, with over $5 billion having accumulated in the Trust Fund, ports around the country are not able to access these funds in a sufficient and timely manner. We strongly urge the Congress to make use of the full HMT collections so that ports can continue to stay internationally strong and competitive.

As the Congress continues to contemplate and develop important transportation priorities such as the Surface Transportation Reauthorization and the Water Resources Development legislation, I would urge you to not forget the role of the ports and related goods movement partners in delivering economic growth and prosperity. We greatly appreciate the limited investment programs that seaports have recently had access to, such as TIGER, but it's clear that more remains to be done and such efforts need to be expanded and made more robust so that seaports can participate more fully in the federal transportation funding system.

In conclusion, Chairman Gibbs, Ranking Member Bishop and Members of the Committee, we appreciate the increased focus and attention on the role of seaports in delivering economic growth. We are now working cooperatively as never before to increase cargo volumes and grow our economy, but we cannot compete and win if we do not have a partner in the federal government. It is only with your help that we can secure the needed investments in our infrastructure so we can bring back jobs, increase trade and support a full economic recovery for our nation.

Thank you.

AAPA American Association of Port Authorities

Alliance of the Ports of Canada, the Caribbean, Latin America and the United States

AMERICAN ASSOCIATION OF PORT AUTHORITIES
1010 Duke Street • Alexandria, VA 22314
Phone: (703) 684-5700 • Fax: (703) 684-6321

Testimony of Jerry A. Bridges

Chairman of the Board of the American Association of Port Authorities And Executive Director of Virginia Port Authority

Before
The United States House of Representatives
Transportation and Infrastructure Committee
Water Resources and Environment Subcommittee
Hearing: *"The Economic Importance of Seaports: Is the United States Prepared for 21st Century Trade Realities?"*

October 26, 2011

Thank you, Chairman Gibbs, for this opportunity to testify today on the topic of the economic importance of seaports to trade and whether the United States is prepared for the future. This discussion is especially important as Congress debates how to create jobs under the umbrella of controlling government spending over the next decade.

I am here today on behalf of the American Association of Port Authorities where I serve as Chairman of the Board. AAPA promotes the common interests of the port community and provides leadership on trade, transportation, environmental and other issues related to port development and operations. Founded in 1912, AAPA has nearly 100 years of involvement in port infrastructure and its importance in trade.

Since the birth of our nation, U.S. seaports and waterways that connect them have served as a vital economic lifeline by bringing goods and services to people around the world and by delivering prosperity to our nation. U.S. seaports are responsible for moving more than 99 percent of our country's overseas cargo. Today, international trade accounts for more than a quarter of America's Gross Domestic Product.

America's seaports support the employment of 13.3 million U.S. workers, and seaport-related jobs account for $649 billion in annual personal income. For every $1 billion in exports shipped through seaports, 15,000 U.S. jobs are created. Seaports facilitate trade and commerce, create jobs, help secure our borders, support our military and serve as stewards of valuable coastal environmental resources.

Ports are dynamic, vibrant centers of trade and commerce, but what is most important to understand is that seaports rely on partnerships. Seaports invest more than $2.5 billion every year to maintain and improve their infrastructure. In recent years, however, this commitment has not been adequately matched by the federal government. Federal funding for dredging federal navigation channels has slowed and decreased, especially for new construction. Further, maintenance dredging is sorely underfunded, despite a more than $6 billion and growing surplus in the Harbor Maintenance Trust Fund. Landside improvements have also been too low a priority, with little of the highway funds going to freight transportation projects. The only bright light has been the newly created TIGER grants, although not enough of this funding benefited ports. Virginia Port Authority received a TIGER grant for its heartland project.

As we look to the future, we do know that there are challenges and opportunities. As we recover from this economic downturn, we must make investments today to address the trade realities of the future. Here are some the challenges and we have to ask: are we ready?

- The Panama Canal expansion is due to be completed in 2014 and is expected to influence trade patterns. VPA and other ports have been making investments, but federal funding has been slow to match these investments.
- Ship sizes continue to get larger, requiring on-going modernization of ports and federal navigation channels, even for ports that will not require 50 feet of depth.
- Canada and Mexico are making investments which could result in losses of maritime jobs in the U.S. as cargo enters the U.S. through these countries. We have already seen this job loss on the West Coast.
- The U.S. seeks to double exports; however countries like Brazil and Chile, who we compete against the U.S. in terms of agricultural exports, are making investments that could make their exports more competitive.
- New trade agreements with Korea, Panama and Colombia have been approved, with other trade agreements under negotiations which should result in increased exports and imports through ports.

- In addition to these near-term challenges, we know that the U.S. population is forecast to grow by 100 million – a 30 percent increase – before the middle of the 21st century. And many of the goods used by this population will flow through seaports.

So are we ready? While ports are planning for the future, the federal government has not kept pace with the industry or our international competitors. The federal government has a unique Constitutional responsibility to maintain and improve the infrastructure that enables the flow of commerce, and much of that infrastructure in and around seaports have been neglected for too long. Many of our land and water connections are insufficient and outdated, affecting the ports' ability to move cargo efficiently into and out of the U.S. This hurts U.S. business, hurts U.S. workers and hurts our national economy.

Port projects take decades to plan and build and we cannot wait. Federal investments in seaports are an essential and effective utilization of limited resources, paying dividends through increased trade and commerce, long-term job creation, secure borders, military support, environmental stewardship, and more than $200 billion in federal, state and local tax revenue. Earlier this month, the President's Council on Jobs and Competitiveness made an urgent plea for improvements in the nation's transportation infrastructure, including landside and waterside access to seaports. We cannot wait.

So what must we do? First, attached to this Testimony, you will find AAPA's letter to the Joint Select Committee on Deficit Reduction, which outlines AAPA's recommendations. The federal government must make funding for dredging a higher priority; Congress must pass a Surface Transportation bill that results in more funding for port, freight and landside infrastructure, including the TIGER program; and Congress must not cut or eliminate the Port Security Grant Program or environmental programs that benefit ports.

I will focus the rest of my testimony on the U.S. dredging program, since that is the primary jurisdiction of this Subcommittee. Federal investments are needed to both modernize and maintain federal navigational channels at ports. As you know, port users currently pay 100 percent of the cost to maintain our harbors through collection of the Harbor Maintenance Tax (HMT) and cost-share formulas. In fact, they pay almost double what is currently being spent. The most recent numbers from the Corps of Engineers show that while the President's FY 2012 budget calls for $758 million for harbor maintenance dredging, the trust fund revenues for FY 2011 were $1.48 billion. This is truly unfair taxation, especially since few navigational channels are at their authorized depth and width. This injustice must be corrected. AAPA has and continues to strongly urge full utilization of the HMT. AAPA supports passage of the RAMP Act, H.R. 104, and its inclusion in the Surface Transportation bill and encourages you to help find the necessary funding to make full use a reality.

Recently, Chairman Mica announced that he has the House leaderships' approval to begin to work on finding funds to pass a broader Surface Transportation bill. This would be an excellent opportunity to solve the HMT problem as well. We commend you and your staff for drafting a Maritime title for the Surface bill. It includes several provisions that will aid in getting these projects done more quickly and equitability. But more needs to be done. We encourage you to convince the leadership that a permanent HMT solution, with long-term funding must be found.

Modernization and deepening of federal channels is another critical issue for our nation to be prepared for 21st century trade realities. There are two trends in this area which are cause for great concern. First, the funding level of the Corps of Engineers' new construction budget has decreased considerably, with the President's current request at a level that is half of what we have seen historically. This decrease comes despite the challenges noted above, such as the expansion of the Panama Canal, the need to be able to handle the current and future World fleet, our new trade agreements and America's international competitiveness. Our neighbors and competitors are not waiting. We must make this a higher priority to avoid negative consequences resulting in job loss, worsening road congestion, and less competitive exports.

Some may suggest that we should concentrate federal investment in just a few ports, but we must take a closer look at the diversity of port cargo and the impact of only deepening a few ports. A container port, normally doesn't handle significant bulk cargo, dangerous cargo or refrigerated cargo. Additionally, often smaller ports are located near key U.S. manufacturers to aid in their imports and exports. Each of our 50 states relies on 13-15 seaports to handle its imports and exports. Concentrating port activity to a smaller geographic area will result in increased transportation costs and more congestion on roads and rails. Total throughput should not be the only calculation in determining federal investment.

The second troubling trend that impacts our ability to be ready for the challenges of the future is the time it takes to complete new projects. Ports are growing increasingly wary of the time it takes to complete a project. The new norm is decades, with costs rising with each delay. There are a multitude of reasons for these delays, including a long, slow approval process, lack of funding which results in small amounts of funding for each project, and lack of expertise at the Corps. We must make port modernization a higher priority in our future funding. Maritime movement of cargo is the most cost-effective way to move cargo, and we should be encouraging this through adequate federal investments and funding.

Another area that would assist seaports in preparing for growth is to achieve a permanent waiver of the Alternative Minimum Tax. Currently, purchasers of bonds offered by public port authorities are subject to the tax and cause ports to have to heavily discount the bonds to be competitive in acquiring funds for infrastructure projects. This obviously increases costs and diverts funds that otherwise would be used for port infrastructure and new job creation. We ask the members of this committee to support efforts in the House by Congressman Neal and others to fix this problem.

As our nation recovers from its economic troubles, we know that cargo growth will expand as well. As our nation invests in infrastructure, we must ensure that ports and their needs are high on the list. This includes landside investments, TIGER investments, short sea shipping investments and dredging. We are at a critical time for this nation. We face enormous challenges and ports are making the necessary investments to build and maintain a world-class maritime transportation system, which supports U.S. jobs, our global competitiveness, and our economy. We need our federal partner to make that commitment, too. We urge your Committee to serve as advocates for port infrastructure so that we can meet the challenges for today and tomorrow.

AAPA American Association of Port Authorities

Alliance of the Ports of Canada, the Caribbean, Latin America and the United States

Seaports Deliver Prosperity

August 31, 2011

Joint Select Committee on Deficit Reduction
United States Congress
Washington, DC

To the Members of the Joint Select Committee on Deficit Reduction:

As your committee looks for ways to reduce spending, we believe that it is imperative to focus scarce federal resources in those areas that can have the greatest impact on economic growth, immediate and long-term job creation, national security, and our current and future competitiveness in the global economy. The American Association of Port Authorities (AAPA) urges you to fully consider the vital importance of federal funding in and around America's seaports, which facilitate trade and commerce, create jobs, help secure our borders, support our military and serve as stewards of valuable coastal environmental resources. Seaports are essential to economic prosperity, and federal funding for seaports pays dividends for our country.

Nearly a third of the nation's GDP is derived from international trade, with 99 percent of our overseas trade moving through seaports. These seaports are the nexus of critical land and waterside infrastructure that connects America's farmers and producers with markets overseas, and they provide access for imports of raw materials, components, and consumer goods that are a key part of U.S. manufacturing and our standard of living.

The federal government has a unique Constitutional responsibility to maintain and improve the infrastructure that enables the flow of commerce, and much of that infrastructure in and around seaports has been neglected for too long. Federal surface transportation programs have largely ignored freight mobility and the importance of intermodal connectors that provide the link between the federal highway system and intermodal marine terminals that move goods from land to water. On the water side, funds collected by the Harbor Maintenance Tax since its creation in 1986 have been increasingly diverted from their intended purpose – maintaining federal navigation channels at authorized depths and widths.

Since 9/11, seaports and the federal government have partnered to harden our water borders against terrorism, protecting people, goods and equipment within this critical infrastructure. AAPA is gravely concerned about the recent proposal to eliminate direct funding for the FEMA Port Security Grant program and bundle it into other drastically cut FEMA grants. Additionally, while seaports remain committed to enhancing coastal resources and reducing their environmental impact, the federal government is a critical partner in beneficial reuse of dredged material and reduction of air emissions from older diesel engines – programs that should continue.

1010 Duke Street, Alexandria, VA 22314-3589 p 703.684.5700 f 703.684.6321 www.aapa-ports.org

Attached is a list of key seaport industry priorities that we encourage you to consider as you begin the difficult but important work of reducing the federal deficit. Seaports are integral to our economic recovery, jobs, national security, and federal revenue. Further limiting effective federal investments in America's seaports would be detrimental to our country.

Sincerely,

Kurt J. Nagle

Kurt J. Nagle
Enclosure

AAPA American Association of Port Authorities

Alliance of the Ports of Canada, the Caribbean, Latin America and the United States

Seaports Deliver Prosperity

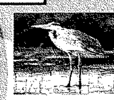
Federal investments in seaports are an essential, effective utilization of limited resources, paying dividends through increased trade and commerce, long-term job creation, secure borders, military support and environmental stewardship.

SECURITY
Secure seaports keep people, goods, equipment and infrastructure safe

IMPORTS
In the first half of 2011, imported industrial supplies & materials increased by 25 percent, excluding crude oil

SEAPORTS

EXPORTS
U.S. exports supported an estimated 9.2 million jobs in 2010



ENVIRONMENT
Seaports help protect habitat and reduce air emissions to ensure the health of coastal communities and ecosystems

Key seaport industry priorities:

- Fully use the existing Harbor Maintenance Tax to maintain channels at authorized depths and widths
- Adequately fund harbor deepening projects to modernize federal channels
- Invest in port infrastructure, intermodal port access and freight mobility in surface transportation legislation and within TIGER
- Maintain funding and the eligibility of all ports for Port Security Grants
- Continue funding for the Diesel Emissions Reduction Act

As Congress grapples with reducing the nation's deficit, AAPA urges Congress to recognize that seaports are essential to economic prosperity, and federal investments in port infrastructure pay dividends for our country.

Maintaining infrastructure that supports foreign and interstate commerce is not only a federal responsibility but is in the national interest.

- Ports are investing more than **$2 billion** each year in marine terminal capital improvements, and federal navigation channel users pay the Harbor Maintenance Tax to fund 100 percent of channel maintenance in most harbors.
- Seaports are essential to the economic prosperity of our nation, moving **99 percent** of overseas trade.
- Cargo moving through seaports is responsible for more than **13 million** jobs. Annually, seaports generate over **$200 billion** in federal, state and local tax revenue and more than $20 billion in Customs duties.

America's seaports are integral to our economy, jobs and national security. Reducing federal investments in seaports would be detrimental to our country.

DEPARTMENT OF THE ARMY

COMPLETE STATEMENT

OF

THE HONORABLE JO-ELLEN DARCY
ASSISTANT SECRETARY OF THE ARMY
(CIVIL WORKS)

BEFORE

THE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT

UNITED STATES HOUSE OF REPRESENTATIVES

ON

THE ECONOMIC IMPORTANCE OF SEAPORTS: IS THE UNITED STATES PREPARED FOR 21ST CENTURY TRADE REALITIES?

OCTOBER 26, 2011

Mr. Chairman and distinguished members of the subcommittee, thank you for the opportunity to testify on the economic importance of our seaports and preparation for the 21st Century trade realities.

OVERVIEW

The Army Corps of Engineers helps facilitate commercial navigation by providing support for safe, reliable, highly cost-effective, and environmentally sustainable waterborne transportation systems. To this end, the Corps invests over $1.5 billion annually – roughly one-third of the total budget for the Civil Works program – to study, construct, replace, rehabilitate, operate, and maintain commercial navigation infrastructure for approximately 13,000 miles of coastal channels and 12,000 miles of inland waterways. At coastal harbors on the Atlantic, Gulf, Pacific, and Great Lakes coasts, the work performed by the Corps includes: surveying navigation channels; evaluating proposals to construct deeper, wider, or longer channels; constructing such improvements; maintaining them by periodic dredging; maintaining other coastal navigation structures such as jetties, breakwaters, and locks; and maintaining certain of the bridges that cross these channels.

ECONOMIC IMPORTANCE

Our coastal ports contribute to the nation's economic competitiveness, as well as to state and local government economic development and job creation efforts. Several of the ports also contribute to our national security. Over 95 percent of the Nation's overseas trade by weight, and over 75 percent by value, moves through these ports. They handle over 2 billion tons of commerce annually, including over 70 percent of the imported oil and more than 48 percent of goods purchased by American consumers. In some cases, the dredging of federal navigation channels also provides environmental benefits, where the dredged material is used to create, preserve, or restore wetlands, islands, or other habitat.

IMPROVED COORDINATION

The Corps is working with the Department of Transportation (DOT) to improve decision-making on Federal investment in coastal navigation infrastructure through better coordination. For example, DOT has provided information on previous years' selected TIGER Grant recipients to the Corps, which we are considering as part of the Civil Works budget preparation. Similarly, DOT has invited Corps technical experts to advise it during the upcoming review process for the 2011 TIGER Grant selections. Our staffs are also working on common metrics for comparing potential investments that support coastal navigation, and for evaluating the performance of those investments.

PORT DEEPENING

Containerized cargo is forecasted to continue to increase in the near future. Many of the world's shipping companies are constructing larger, more efficient container vessels that require channel depths of 50 to 55 feet. The new Panama Canal locks are scheduled for completion in 2014 and will increase the permissible draft of vessels transiting the

Panama Canal from 39.5 feet to 50 feet. Some of our ports are better suited than others to accommodate the full extent of the deeper draft vessels that are forecasted to be in service.

On the Atlantic coast, the U.S. now has two 50-foot deep ports capable of receiving these ships – Norfolk and Baltimore. The Corps expects to complete deepening the Port of New York/New Jersey to 50 feet in FY 2014. The Corps is also working with the Port of Miami, which is financing a project to deepen the federal channel to 50 feet. The U.S. also has several other ports with depths of 45 feet on the Atlantic, Pacific and Gulf coasts, which will be able to accommodate such vessels when they are less than fully loaded. The ports of Los Angeles, Long Beach, Oakland, Seattle, and Tacoma also have depths of 50 feet or greater.

The President's FY 2012 Budget includes: $65 million for the ongoing deepening of the port of New York/New Jersey; $42 million for construction or expansion of dredged material placement facilities at the Ports of Norfolk, VA; Savannah, GA; and both Jacksonville and Tampa, FL, in order to continue maintenance of the deep draft channels serving these ports; and $600 thousand for preconstruction engineering and design of the proposed deepening of the channel to Savannah Harbor, GA.

The Corps is also working with 10 ports on the Atlantic and Gulf coasts to evaluate proposals to deepen or widen their channels. While deepening a Federal navigation channel generally provides economic benefits, from a national perspective some of the proposed investments will provide a greater economic return than others. Also, deepening a channel tends to increase future maintenance costs due to the need to dredge the additional material that accumulates in channels and to construct additional placement sites for this additional material.

HARBOR MAINTENANCE

The Corps program today is focused on the operation, maintenance, repair and replacement of major navigation, flood control and hydropower infrastructure systems, and the repair of aquatic ecosystems that Corps projects have affected. The overall budget for the program is primarily devoted to maintaining these systems so that they can continue to provide economic, environmental and social benefits to the Nation.

For example, an increasing proportion of Civil Works funding in recent years has been devoted to the repair and rehabilitation of inland navigation and flood risk management infrastructure. Similarly, the budget for the construction program gives priority to dam safety assurance, seepage control, and static instability control work (about $450 - $500 million per year) to repair unsafe dam structures, much higher than the funding for this work 5 years ago.

The Harbor Maintenance Tax and Harbor Maintenance Trust Fund were established by Title XIV of the Water Resources Development Act of 1986 (Public Law 99-662). The Harbor Maintenance Tax is applied as a 0.125 percent *ad valorem* fee on the value of certain commercial cargo, mostly imports, loaded or unloaded on vessels at federally maintained harbors. The U.S. Customs and Border Protection collects this tax. As of August 31, 2011, tax receipts and interest in FY 2011 totaled over $1.5 billion, and the balance in the trust fund was over $6 billion.

The balance in this trust fund, which has grown over a period of many years, reflects multiple factors, principally the value of goods subject to the harbor maintenance tax, the tax rate, the enacted spending levels, and the limitation in current law on the authorized uses of these receipts. In our view, the overall funding level that the Federal government provides for maintenance dredging and related purposes should be determined independent of the level of the Harbor Maintenance Tax receipts. More specifically, the allocation of these funds should reflect consideration for the economic and safety return, as well as a comparison with other potential uses of the available funds.

The FY 2012 Budget for the Corps includes $758 million from the Harbor Maintenance Trust Fund to support the maintenance of coastal harbors and their channels and related work, including maintenance dredging. The Budget request for the Corps from this trust fund is comparable to the enacted FY 2010 level, in a year in which the overall budget for the Civil Works program is 15 percent lower and funding for many programs government-wide is being reduced in order to put the Nation on a sustainable fiscal path.

Our investments in coastal port maintenance are directed primarily at providing operational capabilities and efficiencies. To make the best use of these funds, the Corps evaluates and establishes priorities using objective criteria. These criteria include transportation cost-savings, risk reduction, and improved reliability – all relative to the cost. Consequently, maintenance work generally is focused more on the most heavily used commercial channels, which together carry about 90 percent of the total commercial cargo traveling through our coastal ports. However, many ports will experience draft limitations on vessels due to channel conditions, at least during parts of the year.

While the Corps could spend more on harbor maintenance and related work, the amount proposed in the Budget for this purpose, which is financed from this trust fund, is an appropriate level, considering the other responsibilities of the Corps for inland navigation, flood risk management, aquatic ecosystem restoration, hydropower, and the other Civil Works program areas. The Corps continues to develop analytical tools to help determine whether additional spending from this trust fund is warranted based on the economic and safety return, as well as a comparison with other potential uses of the available funds. Dredging costs continue to rise due to increases in fuel, steel, labor, and changes in methods of dredged material placement. We recognize that this presents challenges in maintaining commercial navigation projects.

CONCLUSION

In summary, the Corps is facilitating commercial navigation by providing support for safe, reliable, highly cost-effective, and environmentally sustainable waterborne transportation systems. Through the Corps and other Federal agencies, the

Administration is investing in our ports. As part of the Administration's broader strategy of economic growth for our Nation, the Corps has been working to deepen and widen several of our ports.

Mr. Chairman and members of the subcommittee, I look forward to working with this Subcommittee on these issues. Thank you.

House Water Resources and the Environment Subcommittee

Hearing on the Economic Importance of Seaports: Is the United States Prepared for 21st Century Trade Realities?
October 26, 2011

Testimony of William D. Friedman
President and CEO, Cleveland-Cuyahoga County Port Authority

Thank you Chairman Gibbs and members of the committee for this opportunity to come before you on this critical topic.

For nearly 25 years I have worked at tidewater and inland ports and on real estate development tied to the global supply chain.

I'm here today representing the Cleveland port only, but I believe my views are consistent with those of maritime professionals throughout the Great Lakes/St. Lawrence Seaway region.

First let me thank you and your colleagues for initiating several bills that are critically needed in the Great Lakes and nationally. These are:

- HR 2840, the Commercial Vessel Discharges Reform Act of 2011
- HR 1533, the Short Sea Shipping Act of 2011, and
- HR 104, the Realize America's Maritime Promise Act

All three bills would better prepare our port and others for 21st Century Trade Realities.

The Great Lakes/St. Lawrence Seaway system is a major economic resource and trade corridor with vast unrealized potential. It provides direct waterborne connections between our manufacturing and agricultural heartland and the global marketplace.

An economic benefit study released just last week, documents the value of the Great Lakes-Seaway system. On the U.S side alone, system shipping generates 128,000 jobs, $9.6 billion annually in personal income, $18.1 billion annually in business revenue, and more than $2.6 billion annually in federal, state and local taxes.

In Greater Cleveland, maritime commerce supports almost 18,000 jobs and more than a $1.0 billion in paychecks cashed every year.

Our cargoes include raw materials and finished goods that are dependent on our maritime highways.

Iron ore from Duluth is shipped on 1,000-foot Great Lakes vessels through the Port's bulk terminal to our local steel mill, the most productive integrated steel facility in the world. And massive pieces of industrial equipment made in Ohio and neighboring states are exported from our port to the world.

Waterborne transport to and from the industrial Midwest is proven to drive down shipping costs and make exports more competitive, while easing congestion on our highways and rail networks.

Yet despite these benefits the promise of the St. Lawrence Seaway - - one of the great engineering wonders of the world -- has yet to be fully realized. And both the system and our ports are vastly underutilized.

Reform of federal regulations and policies must occur for the Great Lakes to play its intended role as a critical gateway for U.S. exports and trade.

First, we need passage of the Short Sea Shipping Act. I find it astonishing that Canada is our number one trading partner yet virtually none of this trade is moved by water across the Great Lakes. Current law puts the Great Lakes at a disadvantage. This is why we urge passage of HR 1533, to put waterborne transport on an even playing field with land modes.

The lack of a federal ballast water standard also threatens current and future Great Lakes/Seaway trade. As you know, ballast water discharge is regulated by two federal agencies under two separate authorities, one of which allows states to do whatever they want. This has given rise to New York's utterly unworkable ballast water rule, which will effectively shut down Seaway shipping if it goes into effect next year, jeopardizing tens of thousands of jobs. HR 2840, the Commercial Vessel Discharges Reform Act will rectify this deplorable state of affairs, and again, we strongly urge its passage.

Lastly, I want to comment on dredging and the U.S. Army Corp of Engineers project delivery system.

In Cleveland, we are working extremely hard to plan and implement a new approach to managing material dredged from our shipping channel. In essence we want to put sediment to beneficial use rather than dispose of it in landfills along our downtown waterfront. We believe this approach is smarter, more efficient and less expensive for taxpayers.

We are prepared to commit local dollars, seek contributions from private beneficiaries, and take over project management from the Corps to accomplish this. However, the Corps authorities, rules and practices make this an extraordinarily difficult and years-long process.

Therefore, we urge Congress to take up a comprehensive reform of WRDA and other relevant laws to usher in 21st century management of water resources. We urge you to rewrite laws to:

- **First, spend 100% of the Harbor Maintenance Trust Fund on harbor maintenance as HR 104 (RAMP Act) provides**
- **Second, allow multi-year reauthorizations to provide for predictable funding for projects**
- **Third, allow non-federal sponsors to directly manage projects without waiting for project delivery by the Corps**
- **Fourth, substantially shorten the timeframe for federal planning and decision making on navigation and water resource projects**

We believe ports and local sponsors are in many cases best positioned to manage harbor maintenance and improvement projects. This will save scarce public dollars, get projects online faster, and ultimately drive job creation by making our nation more competitive.

Thank you again for allowing me to come before you today.

WORLD SHIPPING COUNCIL
PARTNERS IN AMERICA'S TRADE

Statement of

Christopher Koch

President & CEO

World Shipping Council

Before the

House Transportation and Infrastructure Committee
Water Resources and Environment Subcommittee

on

"The Economic Importance of Seaports – Is the United States Prepared for 21st Century Trade Realities?"

October 26, 2011

Mr. Chairman, the World Shipping Council[1] appreciates the Subcommittee's examination of whether the nation's maritime transportation infrastructure is adequate to meet the future needs of the nation's commerce. It is a multi-faceted issue due to the fact that

[1] The World Shipping Council (WSC) is a non-profit trade association whose goal is to provide a coordinated voice for the liner shipping industry in its work with policymakers and other industry groups with an interest in international transportation. WSC members carry over 90% of the United States' international containerized commerce. A complete list of WSC members can be found at www.worldshipping.org. This statement addresses the issue before the Subcommittee only from the perspective of the liner shipping industry, not the energy, bulk or other maritime sectors. Each WSC member company has its own unique fleet, services, and future business plans. These comments seek to provide a general overview of this hearing's subject and do not seek to speak for any particular company.

the ownership, the financing, and the investment needs of the various pieces of this critical network will vary according to what part of the network one is examining.

First, each sector of the transportation infrastructure and its related industries has different needs and characteristics, affecting how improvement strategies are developed and implemented. Second, within these sectors, the various market participants may not act in the same way. For example, some ocean carriers may be more committed to large vessels than others; some ports may have more competitive geographic locations or harbor depths or intermodal rail connections than others. Third, some transportation infrastructure is public and requires public solutions, but some is privately owned and operated. Fourth, state and local governments are key decision-makers, especially for much of the needed land-side infrastructure improvements and for the permission to improve the transportation infrastructure. Finding adequate capital to build or improve transportation infrastructure is increasingly only part of the issue. Getting permission from the appropriate authorities to build the improvements is just as much a part of our challenge, and in some cases, the greater part.

There is neither a single issue nor solution to how to prepare for future maritime transportation infrastructure needs. There will be many issues and many solutions to the topics likely to be touched on at this hearing. That may not be tidy, but it is reality. Understanding who is responsible for what improvements is a necessary foundation.

II. The Maritime Transportation System's Infrastructure Components

The following chart provides an overview of different sectors of the nation's maritime transportation system, their ownership, their capacity to handle growth, and their need for additional government assistance :

U.S. Maritime Transportation System Capacity and Infrastructure Problem Identification			
Sector	***Ownership***	***Capacity Problem***	***Need for Government Assistance Programs***
Inland Waterway Conveyances (tugs and barges)	Private	No	No
Inland Waterway Locks and Dams Infrastructure	Public	Yes	We defer to the inland waterway and port community for an assessment of the needs for this sector.
Trucking Conveyances (trucks and equipment)	Private	At times.	No. Driver shortages exist in some areas, but this is an issue for the market place to address. However, certain regulations, such as those governing hours of service, impact

			total available capacity, and other regulations, like those governing vehicle emissions, increase the trucking firm's cost to operate.
Highway Infrastructure connecting to seaports and inland intermodal freight facilities	Public	Yes	This Committee is fully aware of the need for new federal highway legislation. This program is relevant to seaports because of its funding of landside highway infrastructure that connects the national highway system with the nation's ports. For example, the "Safe, Accountable, Flexible, Efficient, Transportation Equity Act" (SAFETEA) included many port-related freight movement projects in the list of earmarks, including for: the Port of Long Beach, the Port of Los Angeles, Alameda Corridor East, the Port of Virginia and the "Heartland Corridor", the Port of New York/New Jersey, the Port of Seattle, the CREATE Intermodal Project in Chicago, and the South Carolina State Ports Authority.
Maritime Conveyances and Equipment (ships, containers)[2]	Private	No	No
Harbor Dredging	Public	Yes. Location Specific.	The existing trust fund is adequate for *maintenance* dredging if the money collected and deposited in it is spent for harbor dredging. New *channel deepening* funding is project specific and has been slow and underfunded by Congress in the past. It does not need a new federal program as much as it needs better government attention to projects of national significance.
Port Terminal Infrastructure (inside the gate)	Combination of public and private	Yes. Location Specific.	No. Ports and the private sector generally can provide the capital. Obtaining permits for capacity expansion is often a more difficult issue.
Rail connections to seaports	Varies. Can be a combination of public and private.	Yes. Location specific.	The private sector can generally provide the capital, but some projects require a public-private partnership with ports, states and local governments or the federal government.

[2] "Short sea shipping" for the carriage of intermodal cargo is today, and will likely remain for the foreseeable future, a very market specific enterprise, with obvious and significant geographic limitations. Surface transportation usually offers faster, more frequent, and often less expensive service to shippers. Further, short sea shipping does not often avoid the need for a shipper to arrange for surface transportation service on both ends of the maritime movement; thus, a shipper that needs to arrange a combined truck/short sea shipping/truck move to get its goods from Point A to Point B may find it simpler to arrange for a single truck move.

This chart illustrates that where the private sector owns the nation's critical transportation infrastructure, there generally is not an existing capacity problem or a shortage of necessary investment capital, despite the enormous capital requirements.[3] The capacity problems tend to arise more often with those portions of the critical infrastructure that are owned by the government, such as locks and dams, harbor channels, and efficient connections for freight to the national highway system.

III. Maritime Infrastructure Planning for the Future

A. Overview

Forecasting Trade Growth and Demand for Infrastructure Expansion

Five years ago, it was common to see trade projections assuming containerized trade growth in the U.S. of 8-12% per year for 20 consecutive years, with conclusions that we could be "maxing out" our port capacity by about now. Such projections did not forecast the 2008/2009 recession, the questions today about the Euro and European sovereign debt, and other relevant events. Such projections cannot accurately predict future important questions either, such as real estate bubbles in China, or what kind of protectionist policies might be implemented and what kind of damage to trade they would cause.

Both the maritime industry and policy makers must struggle with such uncertainties as they decide how much capital to invest in what kind of assets at what time. The current sluggish economy is certainly taking a financial toll on the liner shipping industry as capacity exceeds market demand, and ocean carriers' financial losses this year are forecast to be at least in the hundreds of millions of dollars, if not more.

This kind of variability makes it difficult for one to predict to this Subcommittee exactly what kind of ships will be calling with what volume levels at what ports at any particular time in the future. But, what we can consider from a macro planning perspective is that over the longer term, as economic growth occurs, so will the need for expanded maritime infrastructure capacity to handle that growth efficiently. In that regard, no one wants to see the nation's critical maritime infrastructure be at a level that is insufficient to efficiently handle trade volumes or to keep American businesses as competitive as possible in world markets. We must also be prepared for the possible effects of the Panama Canal Authority's expanded capacity when the new locks open in 2014.[4]

---

[3] For example, a single string of five, new 8-10,000 TEU container ships needed for an Asia -U.S. West Coast service would cost an ocean carrier over half a billion dollars before even considering the cost of the necessary containers or the ships' fuel and other operating costs.

[4] The current maximum size of a ship that can transit the Canal is a width of 32 meters, a length of 294 meters, and a draft of 12 meters (39.5 feet). A current "Panamax" container ship (the largest that can

Handling Future Trade Volumes and Forecasting Ship Size

An initial observation is that there is more to planning future seaport infrastructure and capacity than just channel depth. U.S. ports will need to handle the growth of cargo volumes, whether they arrive on 4,000 TEU ships or 10,000 TEU ships. Whether 20,000 containers arrive on two ships or five ships, the port still needs to handle 20,000 containers, as do the rail and highway connections to the port.

This Committee has been working for quite awhile on legislation to reauthorize a long-term surface transportation bill. As noted in the chart above, Congress and the business community have recognized that the national highway system needs to include efficient links to intermodal freight facilities, whether they are in Chicago, the Ohio Valley, or Los Angeles. The nation's economic health and competitiveness depend upon it. We hope that this point will be addressed in the Committee's continued efforts on this legislation, and that any future surface transportation funding program will address the importance of connecting the nation's highway system efficiently with intermodal freight facilities, including seaports.

U.S. ports today vary in their capacity and in their depth. The West Coast ports tend to be deeper draft harbors, and tend to need less maintenance dredging. The principal U.S. West Coast (USWC) container ports (LA/Long Beach/Oakland/Tacoma/Seattle) can all handle vessels with 50 foot draft; however, depth is not the only factor that limits the number and type of vessel calls.

Puget Sound ports have naturally deep harbors and good intermodal connections, but far less population and cargo demand than Southern California; thus, fewer services call in the Pacific Northwest than in Southern California.

Bigger containerships require container cranes with wider reach. The new locks in the Canal will be able to handle ships with a width of 19 rows of containers. The biggest container ships in the world are now 22 container rows wide, with larger vessels on order at 23 rows wide. Accordingly, marine terminal operators have been installing larger cranes as they determine whether larger ships will be calling at their facilities.

Port productivity is also very relevant to ship deployment decisions. U.S. port facility productivity is much less than the productivity at major ports in other parts of the world. Today, a 10,000 TEU ship takes four days to unload at one port on the West Coast. An 18,000

---

transit the Panama Canal) will have a maximum capacity in the range of 4,500 TEU (twenty foot equivalents). The new locks being built will be able to handle a ship with a length of 366 meters, a width of 49 meters, and a draft of 15 meters (50 feet). The width of the new locks will accommodate vessels carrying 19 rows of containers. This will increase the maximum container ship size that can transit the Canal to approximately 12,000 TEU.

TEU ship would take up to a week, thus limiting an operator's interest in deploying such vessels in the U.S. even if it had vessels of this size.[5]

Harbor channel depth is obviously an important factor in assessing the issue of the seaport's capacity to handle future cargo growth. All the major USWC container ports (LA, Long Beach, Oakland, Tacoma, Seattle) currently have 50 foot depth. At the largest U.S. Gulf of Mexico and East Coast (USEC) ports,

- The Port of New York/New Jersey is dredged to 50 feet, but its container terminals on Newark Bay have bridge clearance limitations for ships passing under the Bayonne Bridge. The Global Terminal on the Hudson River can currently accommodate post-Panamax ships and is not affected by the bridge clearance limitation.

- The Port of Baltimore is expected to complete its current efforts to have a depth of 50 feet in 2012, and the National Gateway rail project, planned for completion in 2015, will provide improved rail connections and clearances from the port to mid-western markets.

- Norfolk has a depth of 50 feet, and the completed Heartland Corridor rail project is providing much improved, connecting rail service into mid-western markets.

- Charleston has a depth of 45 feet and is planning to deepen further.

- Savannah has a depth of 42 feet and seeking funding to get to 48 feet.

- Jacksonville has a depth of 38-40 feet with unfunded plans to dredge to 50 feet.

- Miami is in the process of dredging to get to 50 feet.

- Mobile has a depth of 40-45 feet.

- The Houston Ship Channel is currently being deepened to 45 feet from 40 feet.

[5] 18,000 TEU ships have been ordered by one carrier and are planned for use in the Asia-Europe trade, but there are no current plans to put such vessels into U.S. trades for a number of reasons. Major U.S. importers, in particular, require frequent, often daily, departures from major origins in Asia. Today, the average ship size in the U.S.-Asia trade is about 5,000 TEU. Deploying one new service with 18,000 TEU ships would in theory mean replacing three services departing on three different days of the week. It is highly unlikely that a carrier could retain the same amount of a customer's business from a particular location with one departure as opposed to three departures. Further, these very large ships would occupy a terminal berth at the U.S. port for up to a week and other services would have to be displaced to accommodate that.

The Panama Canal's New Locks

As noted earlier, the current size of the Panama Canal has constrained the maximum size of ships that can transit, with the maximum draft being 39.5 feet and the maximum size container ships being roughly 4,500 TEU. The new Canal locks, scheduled to begin operation in 2014, will increase the maximum container ship size that can transit to roughly 12,000 TEU and a 50 foot draft. There is a plethora of studies, opinions and prognostications about what the effects of the new locks will be on trade flows, ship sizes, volumes, transshipment port development, and which U.S. ports will benefit by the new locks. The Panama Canal Authority has entered into cooperative agreements with virtually every major U.S. port to discuss and consider these matters. My testimony today will not attempt to provide any definitive predictions to these questions, but the following comments may be useful to the Subcommittee as it examines this subject.

First, in recent years, the Canal has frequently operated at or close to maximum capacity in terms of the number of ships that can be safely scheduled for transit. By undertaking the current Canal improvement projects, the Canal will be able to handle significantly more cargo because the ships can be larger, because operations will be more efficient, and because of the addition of a third set of locks. The Canal Authority estimates that its current expansion projects will double the Canal's capacity.

Second, since 2001, there has been a moderate one percent shift of all international container cargo from the USWC to the USEC, with much of that adjustment taking place in 2003 to 2004 in reaction to labor disputes that led to the closure of West Coast ports in 2002. It is possible that more of a shift might have occurred as volume continued to grow until it peaked in 2007; however, the current Panama Canal is limited in the number of ships it can accommodate. As trade grows, USWC, USEC and Gulf ports all expect volumes to increase. It is not clear, however, the extent to which the new Canal locks will cause the Gulf and USEC ports to receive a substantially greater share of traffic between the U.S. and Asia, which is the dominant trade route by far that will be affected by the Canal expansion, in comparison to USWC ports. Many market factors can influence this, from port productivity, to labor conditions, to the relative attractiveness of the business climate in California versus the Gulf and Southeast. Intermodal services that utilize USWC ports for cargo going to or leaving from many Midwest or eastern destinations generally can provide faster service, using rail connections, than all water service between Asia and the USEC. Thus, if "time to market" is a shipper's predominant concern, the West Coast ports are likely to continue to have a competitive advantage for many interior U.S. destinations. On the other hand, if cost is a shipper's predominant concern, and their facilities are located east of the Rockies, the Gulf and East Coast gateways may receive a boost from the shipper's lower inland cost that results from shorter distance from the port to the shipper's facility or benefit from the new major rail gateways developing from East Coast ports. All of these comparisons and choices will be very case and cost specific.

Third, future toll increases by the Panama Canal Authority are uncertain, and thus their effect on cargo volumes using all water service via the Panama Canal is uncertain. One would expect that the Panama Canal would not raise tolls so much as to discourage use of the Canal, but that remains to be seen.

Fourth, the Suez Canal is able to accommodate all container ship sizes, including the most recently ordered 18,000 TEU ships. There are currently vessel services between Asia and the USEC via the Suez Canal, and these services, notwithstanding their longer sailing time, can be competitive, depending on the geographic origin of the goods, the level of Suez Canal tolls, and the fact that there are many intermediate port calls and markets in South Asia, the Mideast and the Mediterranean on such services.

Fifth, not all carriers are likely to make the same ship size deployment changes at the same time in response to the new locks. Carriers' vessel inventories are built for specific trades and for the long-term, and deployments will take time to adjust.

Sixth, large ships do tend to be more efficient, so carriers can bring those greater efficiencies to shippers. In the end, however, carriers do not decide the routing of cargo; shippers do, based on a variety of factors including cost, their particular markets, a region's warehousing and distribution system capabilities and efficiencies, rail and highway connections, and their service time requirements. That is why ports' marketing efforts seek to attract major importers and exporters to locate their consolidation or distribution centers nearby, because such commitments by cargo owners tend to ensure predictable cargo flows through that port.

Seventh, many forecasters conclude that ships using the Panama Canal for services between the USEC and Gulf and Asia will increase in size when the new locks open. Based on the size of ships currently serving the Asia trade to the USWC and accounting for some increase in cargo demand, it seems probable that 6-8,000 TEU ships will become common for several years after the Canal is expanded. That does not mean that larger ships might not be used if market conditions warrant, nor does it mean that smaller vessels will no longer serve that trade. If ships' sizes increase, this could mean that there will be fewer vessel services using larger ships. This can present challenges to carriers' decision-making as they will need to balance shippers' demands for frequency of service versus the fact that bigger ships are only more efficient if their greater capacity is utilized.

Finally, there is a question of the effect of the new Canal's wider locks on the possible development of larger transshipment hub ports in the Caribbean or Central America to handle very large ships arriving from Asia, which would then relay cargo onto smaller vessels for carriage to U.S. ports and to ports in Latin America and elsewhere. This is a possible scenario that is still being analyzed by trade experts. Transshipment can offer the potential of greater overall network efficiencies; however, it has the down side of causing slower total transit time for the cargo, and requires the added cost of double handling of the container. Different shippers and carriers may view these trade-offs differently. Thus, for example, a string of 10-12,000 TEU ships could use a transshipment hub to route some of the cargo via smaller vessels to the U.S., some to Latin America, and some to Europe, etc. The Bahamas, Jamaica, and Panama are often discussed in this context of possible major transshipment port development using larger ships facilitated by the Canal expansion. In short, the issue of developing new transshipment ports as a result of the new Canal locks is being discussed, but carrier and shipper reactions are still being formed. This is simply one more reason to note that just because the new Canal locks will have a maximum capacity to be able to handle 12,000 TEU ships, it does not necessarily mean ships of that size will call at USEC or Gulf ports.

Summary

The average size of container ships has been steadily increasing over the years, and the increase in fuel costs has reinforced this trend, because the average cost per TEU of cargo carried is an important efficiency consideration. The optimum vessel size depends on a host of factors, including the size of the trade, the distance, and whether the carrier has or needs vessel sharing partners to help fill the ship's space.

Today, the average size of all container vessels calling at U.S. ports is roughly 3,500 TEU and the average size of those serving the U.S. Asia trade is about 5,000 TEU. On the USWC, approximately two-thirds[6] of the vessels calling are post-Panamax in size, with some as large as 10,000 TEU. Some ports' infrastructure can accommodate such vessels today, and more will be able to accommodate these ships when current dredging and expansion projects are complete.

The Panama Canal has limited ships' draft to roughly 39 feet and container vessel size to roughly 4,500 TEU, but the Canal's maximum vessel size will increase to a ship's draft of 50 feet and capacity of approximately 12,000 TEU in late 2014. When that happens, there is an expectation that vessel size for all-water service between the USEC and Gulf and Asia will increase, but the extent of the size increase will be determined -- first by the increase in cargo demand, and next by operating conditions of the particular U.S. port being utilized. It will probably take some years before it is clear exactly what changes to cargo flow, and its supporting transportation network, will result from the new locks.

The major U.S. East Coast and Gulf ports are in various stages of readiness to handle larger ships and larger volumes with improved highway and rail intermodal connections. Today, Norfolk, Virginia is likely the most prepared due to its unrestricted access to 50 foot depth and the 2010 completion of the Heartland Corridor rail project and its new rail services into North Carolina. As noted earlier, however, other ports' approved plans to have expanded operational capacity by the time of the new Panama Canal locks' opening are in different stages of completion.

Some other ports have plans to seek Army Corps of Engineers funding for channel deepening projects, and we expect each of those plans will be judged on its merits. We would

[6] There are an estimated 65 weekly services between the USWC and Asia, of which approximately 40 use post-Panamax ships.

like to comment to the Subcommittee, however, that the criticism of funding port deepening projects on the grounds that they are "earmarks" is misplaced and counterproductive.

U.S. port deepening projects have always been individually funded by port-specific appropriations. The Congress determines, after an Army Corps of Engineers review, that a particular port needs deepening, and funds it. That process has worked successfully for over two centuries. It has not created too many ports to handle America's waterborne commerce. It is not a process akin to previous highway bills where Congress would select for funding a particular project in a particular state's highway plan, rather than letting the normal, established funding protocols and process operate. It has not created "ports to nowhere". The nation's major ports are critical enablers of the nation's economic health, and their ability to continue serving in that role and handling the growth of the American economy should not be impaired by aspersions that they are inappropriate "earmarks" -- aspersions that undermine an otherwise appropriate funding process. Such projects should meet environmental and appropriate cost-benefit analyses, but Congress should be able to fund them as it has in the past.

The nation's maritime transportation infrastructure will need to expand to handle the nation's future projected growth in trade. As a general, overall observation, one can see that U.S. ports are making such expansion plans, although for a variety of reasons, some ports are further along in implementation than others.

That portion of this critical maritime infrastructure that is operated by the private sector generally has, and should continue to have in the future, adequate capacity and adequate capital investment to serve the nation's needs. Marine terminal operators and ocean carriers have shown no lack of interest or willingness to provide the capital for such growth and improvement. Receiving the necessary permits to proceed in a timely manner, however, can be a challenge.

That portion of the critical maritime infrastructure that the government owns, including the highway connections, deserves the Subcommittee's and the Congress' continued attention and investment. The Committee's continued efforts to enact a long-term highway reauthorization bill that includes due recognition of freight transportation, and the Committee's continued support for the Army Corps of Engineers channel deepening and maintenance projects are both important to making sure that American commerce will continue to have efficient and competitive access to world markets.

###

TESTIMONY OF PETER PEYTON, PRESIDENT

ILWU MARINE CLERKS ASSOCIATION Local 63

INTERNATIONAL LONGSHORE AND WAREHOUSE UNION

BEFORE THE

HOUSE SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT

HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE

OCTOBER 26, 2011

The Economic Importance of Seaports: Is the United States Prepared for 21st Century Trade Realities?

Mr. Chairman, thank you for inviting me to testify on behalf of our International President, Robert McEllrath, and the 65,000 members of the International Longshore and Warehouse Union, (ILWU). Based in San Francisco, our union represents longshore workers in California, Oregon, Washington, Alaska, and Hawaii, as well as warehouse, maritime, agriculture and hotel and resort workers.

International trade accounts for 30 percent of the national GDP. International trade through our seaports supports 13 million jobs, many of them good paying union jobs with decent benefits. These are the jobs and the standard of living workers in our country deserve.

Even when dollars are set aside for freight mobility projects, those projects are stalled in red tape. One example of this is Southern California, where there are currently numerous funded freight mobility projects still not under way. 100,000 high paying construction jobs that could translate into more money for local and state funds lay dormant.

The ILWU's priority is the maintenance of good jobs and the creation of good paying jobs with benefits. There is a direct correlation between making the necessary investments in our transportation system and job creation. Infrastructure investments are critical to the long term economic health of our country.

Unfortunately, we are falling behind. The United States seaports are losing cargo to Canada and, to a lesser extent, Mexico. If this trend continues, it will have seriously detrimental effects on American jobs not only at seaports, but throughout the transportation chain including trucking, rail and warehouse/distribution jobs for American workers. Currently, the Federal Maritime Commission is conducting a study to look at whether shippers are choosing Canadian ports to avoid paying the Harbor Maintenance Tax in the United States.

More importantly, Canada is making the necessary investments in rail and road infrastructure to move cargo more efficiently from the Ports of Vancouver and Prince Rupert Island to the American Midwest. On September 22, 2011, the *Bureau of National Affairs* reported the Government of British Columbia plans to invest $3 billion in port related infrastructure. The Government immediately committed $50 million to the Port of Vancouver's Deltaport to improve rail connections as part of the planned $200 million Deltaport Terminal, Road, and Rail Infrastructure Project designed to increase container capacity in southern British Columbia. The Prince Rupert Port Authority in British Columbia says 2010 was the best its ever had for cargo volumes. The port handled nearly 16.5 million tons of cargo last year, up 35% over 2009.

The ILWU represents Canadian longshore workers and we want our Canadian brothers and sisters to do well. However, it is time for the United States to look at making the kind of investments necessary in transportation projects to maintain and create high wage jobs of the future for American workers. Investing in our nation's seaports is a vital component to jumpstarting the economy and putting Americans back to work. During a time when our nation's unemployment rate is barely under 10%, we need to find ways to create sustainable good paying jobs.

At a recent infrastructure meeting with U.S. Trade Ambassador Ron Kirk, the Ambassador noted the importance of small businesses competing worldwide for an export market. It was clear to all participants at the meeting that without infrastructure, improving America's ability to compete with other nations for goods-to-market export would be nearly impossible.

Research shows the impact of investing in our nation's seaports has a significant effect on jobs nationwide. In 2006, seaport and seaport-related business generated approximately 8.4 million American jobs. Employment opportunities included not only the direct handling of imports and exports, but also retailers, freight works, ship pilots, marine construction workers, wholesalers, manufacturers, and distributors, to name a few. To note a more specific example, the San Pedro Bay Ports provide a considerable amount of jobs as just a small part of the US seaports community. According to 2008 data, 3.4 million jobs were linked to trade among the San Pedro Bay Ports nationwide. In addition, job growth related to trade at the ports of LA and Long Beach grew more than 2.84% since 2005.

The ILWU strongly suggests the Committee give strong consideration to passing H.R. 1122, The Freight Focus Act, introduced by Congresswoman Laura Richardson (D-CA).

The bill would establish an office of Freight Planning in the Department of Transportation that would be responsible for freight planning and creating a merit based competitive grant program. The bill provides for public and private sector involvement in the process and prioritizes major goods movement corridors and projects to alleviate choke points.

The bill also creates a Goods Movement Trust Fund, which would be dedicated to funding such projects. The fund also contains safeguards to ensure funding generated from a specific mode is used for projects benefitting that mode. The bill funds the projects by raising the diesel tax and transferring funds from the General Fund while maintaining a structure that is flexible to incorporate other revenue streams in the future. There is growing consensus around a dedicated federal freight program to address this country's goods movement needs. A dedicated program to invest in goods movement will greatly increase chances for the United States to keep and maintain these good jobs related to trade moving through our seaports.

The federal government is carrying a significant deficit, which means every project request should not be funded. Too often do we see other projects funded that have little to do with moving cargo more efficiently or creating high wage jobs of the future. One example is the emphasis placed on a port security program. The ILWU argues that savings can be found by scrapping some port security projects and mandates that will ultimately be paid by shippers if they choose to utilize American seaports. How many new fences and cameras are really necessary? Is it an impediment to efficient trade to spend countless millions of dollars to radiate 100 percent of containers for export? Do we need to screen a sufficient number of containers that would create the same barrier? The TWIC program is a hugely expensive program that provides very minimal security benefits. TWIC readers will add another layer of expense to shippers who choose to use American ports.

We strongly urge Congress to look at eliminating spending on risky short sea shipping projects as well as cutting port security spending on ineffective and useless projects such as the TWIC program. Instead, Congress needs to use the savings from cutting these programs to make the necessary investments in road, bridge, and rail projects a top priority.

Every year, California's port customers pay more than $400 million in fees into a federal fund with assurances the money will be available to fund the navigational maintenance and improvements necessary to keep U.S. ports competitive in a global marketplace. Unfortunately, the revenues deposited in the Harbor Maintenance Trust Fund are not being spent. Additionally, instead of investing these funds to keep our ports competitive, the Trust Fund has now built up a surplus of over $5 billion.

Appropriations of funds by Congress from the Harbor Maintenance Trust Fund have been inadequate for the nation's harbor maintenance needs. Only half of the revenue generated is being spent on operation and maintenance. The RAMP ACT proposes to allocate this revenue for the purpose of dredging and harbor maintenance. We support legislation to spend the harbor maintenance revenues for its intended purpose.

Finally, Congress must place a high priority on intermodal connectors. One such connector that is vitally important for the efficiency of cargo movement is on-dock rail. On-dock rail serves as the connector between vessel and rail transportation just as the truck move serves as the connector between vessel and rail transportation in an off-dock rail facility. Removing the truck move provides more fluidity to the transportation system and reduces costs to shippers and ultimately consumers. Improvements to existing on-dock rail systems and the construction of new on-dock rail systems have far reaching benefits to the country.

It is the position of the ILWU that if we are going to emerge from these economic times with the intent of being competitive in a global economy, it is essential the federal government lead the way in a vision of funding state of the art infrastructure projects that will allow our freight mobility to be second to none.

PP/aj/opeiu29

THE PORT
OF LOS ANGELES

WRITTEN TESTIMONY

OF

GERALDINE KNATZ, PH.D.

EXECUTIVE DIRECTOR

THE PORT OF LOS ANGELES

ON

THE ECONOMIC IMPORTANCE OF SEAPORTS:
IS THE UNITED STATES PREPARED FOR 21ST CENTURY TRADE REALITIES?

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT

OCTOBER 26, 2011

The Port of Los Angeles
Geraldine Knatz, Ph.D.
Written Testimony

THE ECONOMIC IMPORTANCE OF SEAPORTS: IS THE UNITED STATES PREPARED FOR 21ST CENTURY TRADE REALITIES?

The Port of Los Angeles (Port) appreciates this opportunity to provide written testimony regarding the United States' preparedness for the realities of international trade in the 21st century. As we look at the Port, we see that over the decades, we've become more than a seaport – we are an engine for job creation and a gateway for national economic recovery -- which is why this hearing is important to us.

Whether it is by sea, highway or rail, we interconnect with the transportation networks that keep goods moving into and across the country. More than 95 percent of all goods entering the U.S. arrive by waterborne transportation, and the Port of Los Angeles is a major gateway for these goods. More than one-third of all U.S. international container traffic depends on the Port of Los Angeles, along with our neighbor the Port of Long Beach, to reach its market. These ports, known collectively as the San Pedro Bay Port Complex (Port Complex), move 43 percent of the nation's imported containerized cargo to destinations across the nation. Cargo tonnage of 157.8 million metric revenue tons valued at more than $236 billion, passed over the wharves of the Port of Los Angeles in 2010.

The Port of Los Angeles maintains a strong commitment to developing efficient and sustainable operations that benefit the economy, as well as the quality of life, for the region and the nation it serves. The Port of Los Angeles generates 1.1 million jobs in California and on a national basis, we generate 3.3 million jobs, and $5.1 billion in state and local tax revenue and $21.5 billion in national tax revenue. With far-sighted strategic planning, we set the standard with our excellent facilities and financial stability. The Port of Los Angeles is not tax supported; instead our revenue is derived from fees from a variety of shipping services, and our strong financial performance has been recognized with a AA bond rating -- the highest credit rating assigned to any U.S. seaport operating without taxpayer support.

The Port of Los Angeles commissioned a National Economic Trade Impact Study in 2008 which is attached (Report Summary, Attachment 1) that demonstrates our impact not just in California, but across the U.S. The Port Complex is responsible for 27 percent of total exports leaving the U.S., creating jobs, income and tax revenue in every state and Congressional district in the country. This is important to you and your colleagues because our study indicated that there is at least one business in every congressional district in the nation that ships goods through the Port Complex. Please take a look at the detailed summary (Attachment 2) which highlights the top ten

The Port of Los Angeles
Geraldine Knatz, Ph.D.
Written Testimony

businesses in your Congressional district that either imports and/or exports through the San Pedro Bay Port Complex. We are in the process of updating this data for calendar year 2011.

These import and export statistics help explain why the Port of Los Angeles is known as "America's Port." With the recent enactment of the Free Trade Agreements with South Korea, Panama and Columbia, the Port of Los Angeles anticipates increased activity generating additional economic benefits for the country. South Korea is our fourth largest trade partner at $7.6 billion in cargo value for 2010. The Port of Los Angeles will continue to be America's Port as this is the preferred gateway into the U.S. for the Pacific Rim. The National Economic Trade Impact Study illustrates the need for a continued federal commitment to and investment in supporting and improving the Port's goods movement infrastructure network.

The Port of Los Angeles is a national asset and we want to continue to be part of the national solution to the recent economic downturn. We are putting people back to work and doing our part to help the country meet the goals of the Administration's National Export Initiative (NEI) to double national exports over the next five-years. Container traffic at the Port of Los Angeles surged 16 percent in 2010, with a record number of exports. Port exports rose 10.3 percent in 2010 to 1,841,274 TEUs (Twenty-foot Equivalent Units) compared to 1,668,911 in 2009 and surpassed the previous container export record of 1,782,502 TEUs set in 2008. The 2010 volume gains far surpassed our initial estimates, and we have continued to promote export through our TradeConnect export workshops. These workshops assist businesses throughout the region learn the basics of exporting, including costs, finding overseas markets, trade financing and logistics. In fact, we plan to expand our TradeConnect program to other areas of the country. These workshops increased our networking with manufacturing and export businesses and we plan to continue that momentum as export volumes grow.

In September 2011, our export volumes grew 27 percent. This export growth is good news – for us, and for the country. However, this growth creates demands on our infrastructure, requiring increased investments in our infrastructure, including port facilities, interconnecting road and highway systems, rail networks and investments in new zero emission technologies that increase efficiency, reduce costs, and improve the environment. Indeed, an efficient and reliable transportation system is the cornerstone of a National Export Strategy. Yet, there remain significant challenges to overcome, and it is in these areas that we hope this Committee, Congress, and the Administration can continue to demonstrate leadership in making strategic federal investments to support export corridors like at the Port of Los Angeles.

The Port of Los Angeles
Geraldine Knatz, Ph.D.
Written Testimony

Maintaining a well-connected, intertwined supply chain infrastructure is vital to sustaining the United States' leadership position in future trade. We can no longer rely solely on the individual efforts of links in the supply chain to ensure greater efficiency and effectiveness in trade. There needs to be collaboration between all parties from the different sectors of international trade to enhance efficiencies, reduce costs, and ensure trade can reach its maximum potential.

The price of a company's product can rise because of inefficient supply chains. Companies see supply chain infrastructure as a driving factor in their decisions to export abroad and therefore it affects the decision to invest, build and employ people. Companies are more likely to engage in trade when supported with the best infrastructure from port of origin to destination, making investment in our nation's seaports that much more important. The United States cannot afford to lose customers because of substandard infrastructure at our ports of entry.

The United States has long been accustomed to having a top-flight freight system. However, for many reasons – including our lack of a comprehensive, system-wide U.S. freight infrastructure development strategy, and our overly modal approach to planning and investment – we are not improving our freight infrastructure fast enough to keep pace with the demands of our twenty-first century industry, and with the development of integrated transportation systems in the countries that compete with us in the global marketplace. Our national supply chain infrastructure is a global competitiveness issue. The United States is falling further and further behind the countries against which we compete for trade. A recent World Economic Forum study placed the United States 23rd in the world in quality of overall infrastructure and 22nd in port infrastructure.

In the meantime, Mexico is investing an additional $210 million to continue to develop the Port of Manzanillo, which increased their containerized through-put by 22 percent in 2010. Canada's government invested over $2.1 billion to develop their west coast ports of Vancouver and Prince Rupert, including associated port infrastructure, highways and railways, to specifically divert U.S. cargo to Canada. It is evident that international ports have recognized the importance of strong investment in port infrastructure for the twenty-first century. The United States cannot afford to continue to fall behind.

Additionally, the American Society of Civil Engineers recently issued a U.S. Infrastructure Report Card with an overall grade of "D" for American infrastructure. Obtaining a grade of "A" would require a five-year infrastructure investment of $2.2 trillion dollars. Our seaports need to be a critical part of this investment should the U.S. want to be taken seriously in international trade. With three new trade agreements signed into law by the President we need to take immediate steps tobolster our supply

The Port of Los Angeles
Geraldine Knatz, Ph.D.
Written Testimony

chain infrastructure so that the benefits of these trade agreements can be fully realized. In fact, the President's Export Council observed in a letter (Attachment 3) sent earlier this year, "A robust, reliable, and efficient domestic transportation infrastructure is the critical first step on the road to more exports...America's transportation infrastructure is also America's export infrastructure."

Projects of National and Regional Significance

The Port of Los Angeles continues to advocate that Projects of National and Regional Significance (PNRS) are crucial to building our infrastructure corridors. The Federal Highway Administration (FHWA) acknowledged in the Policy Merits of Section 1301 that "PNRS have national and regional benefits, including improving economic productivity by facilitating international trade, relieving congestion, and improving transportation safety by facilitating passenger and freight movement... The benefits of PNRS would accrue beyond local areas and States, to the Nation as a whole. A program dedicated to constructing PNRS would improve the safe, secure, and efficient movement of people and goods throughout the United States as well as improve the health and welfare of the national economy."

The PNRS program continues to maintain bi-partisan support as an important core of a national transportation program. On June 23, 2011, 29 members of Congress sent a letter (Attachment 4) to the full Committee on Transportation and Infrastructure voicing their support for fully funding the PNRS program in the next federal surface transportation authorization bill. The letter, called funding the PNRS program, "critical to U.S. productivity and global competitiveness." The letter gained support from a geographically diverse, bi-partisan group of new and standing Members, demonstrating the wide spread support for the program.

Harbor Maintenance Tax (HMT) Equity

We understand that the Committee is considering the Realizing America's Maritime Promise (RAMP) Act as a part of the Maritime Title of the Transportation Reauthorization bill. The full operations and maintenance dredging of many of the nation's ports is an important need for port infrastructure and our competitive stature. This amending language to the HMT does not take into account that the Port of Los Angeles, the largest donor to the HMT funds, cannot access HMT funds even if the RAMP Act passes. The eligible uses of the HMT funds are limited to operations and

The Port of Los Angeles
Geraldine Knatz, Ph.D.
Written Testimony

maintenance dredging for which the Port of Los Angeles, because we are an ocean port, has limited requirements. However, we have other equally critical needs such as berth dredging and environmental remediation of contaminated sediments that are crucial to our competitive operations for which we would like to be able to access the HMT funds to support. The RAMP Act begins a much needed debate of HMT reform, however, unless amended it will not help the largest generators to the fund like the Port of Los Angeles.

International shippers pay almost 14 percent of the entire HMT funds at the Port of Los Angeles according to a report of the Congressional Research Service (CRS 7-5700 R41042), Harbor Maintenance Trust Fund Expenditures (Attachment 5). The CRS Study reveals the Port of Los Angeles is the largest generator of revenues to the HMT fund, but only receives less than 1 penny invested back for every dollar generated. But in actuality, the Port of Los Angeles receives close to zero because the CRS Study combined our receipt of HMT funds with the Port of Long Beach. That means that the Port's shippers have to pay a tax to use the Port of Los Angeles, but because the Port of Los Angeles has no operations and maintenance requirements, as currently defined, those dollars cannot be used to improve our facilities for our shippers. In essence, we are subsidizing the improvements of our competitors' channels. It is interesting to note further that the following five ports generate close to 50 percent of the entire HMTF based on the value of their imported cargo:

Port	Import Value (2005 in millions of dollars)	% of Total
Los Angeles, CA	$116,489	13.7%
New York, NY	$104,366	12.2%
Long Beach, CA	$103,801	12.2%
Houston, TX	$52,306	6.1%
Charleston, SC	$36,487	4.3%

The Port of Los Angeles had nearly 8 million TEUs of container flow through the Port in 2010, and has been ranked as the number one container port for the last ten years. Again, this has not helped the Port receive any funding from the HMT fund. This is an inequity that has been far too long overlooked.

Given current budget constraints facing our nation, increases in spending for HMT funded projects as proposed in the RAMP Act is almost certain to result in a corresponding decrease in non-HMT funded programs and projects contained in the Energy and Water Development Appropriations bills with such cuts most likely to come from other U.S. Army Corps (Corps) harbor-related projects, including those for construction and general investigations. If the RAMP Act passes without modification, not only would the Port of Los Angeles derive no benefit from an increase in funds to ports for harbor maintenance, we may actually see fewer dollars from the Corps for some of our key projects. That is why we would like to suggest that the Subcommittee explore potential remedies such as:

- Amending existing HMT law to provide a guaranteed minimum return to the originating ports;
- Expanding the eligible use of such funds after the generating port's maintenance needs are met, to authorized widths and depths.

While we fully support the intent and motivation behind the RAMP Act legislation, we urge the Committee to work with us to include modifications that will benefit HMT generating ports.

Harbor Maintenance Tax (HMT) Land Border Loophole

The Harbor Maintenance Tax is also being investigated for potential impacts on the competitiveness of U.S. ports. In today's competitive global market, international companies are taking advantage of any and every possible break to minimize costs related to shipping their goods. Our international neighbors, Canada and Mexico, are growing as global competitors for U.S. bound cargo, in part because of the added benefit of being able to advertise the cost-saving advantage of avoiding HMT charges.

At the request of Members of Congress, Federal Maritime Commission (FMC) Chairman Richard Lidinsky proposed to investigate whether the HMT was causing international shippers to unload U.S. bound cargo at Canadian and Mexican ports for rail shipment into the United States. These shippers do not have to pay the 0.125 percent HMT – a fact that is promoted by Canadian competitors. Canada is simply using advantages afforded them by U.S. policy coupled with an aggressive freight strategy. To stay competitive and a leader in international trade the United States needs to keep pace with our countries like Canada to make similar investment to support the upgrade of our essential infrastructure. For U.S. seaports to be ready for the twenty-first century of trade our federal government must protect our trade gateways and infrastructure.

The Port of Los Angeles
Geraldine Knatz, Ph.D.
Written Testimony

Panama Canal

The Panama Canal expansion project is slated for completion by 2014 allowing larger cargo ships to reach U.S. Gulf Coast and East Coast destinations. The expansion could have major implications for ports and communities throughout the nation. Potential changes in trade patterns need further study; in the meantime, speculation about shifts in trade as a result of the expansion should not impact allocation of federal funding for freight infrastructure. Instead, future infrastructure spending and policy should occur within the context of a broader national goods movement program. We urge the federal government to establish an Undersecretary-level official at the U.S. Department of Transportation dedicated to multi-modal and intermodal analysis to address the goods movement bottlenecks, and implement a National Freight Strategy.

Conclusion

The Port of Los Angeles is the largest container port in the country and an important economic driver for the nation. U.S. seaports need to remain a high priority when determining projects to enhance our country's position in the global trade market. In order to compete in the twenty-first century international marketplace, our facilities and infrastructure needs to be maintained at the highest level with continued federal investment.

Earlier this year, the Port was awarded a TIGER II grant in the amount of $16 million to build the West Basin Railyard. This project is central to the Port's overall infrastructure program serving our major terminals; enhancing the efficiency of Port rail operations, and a prime example of smart transportation infrastructure improvement. Investments, such as this, need to be made strategically where the federal government will see economic benefit returned as quickly as possible allowing cargo to continue to flow throughout our great nation. International entry gateways corridors will need to continue to be considered a priority for federal investment as we will be able to continue to add significant economic trade value to the United States.

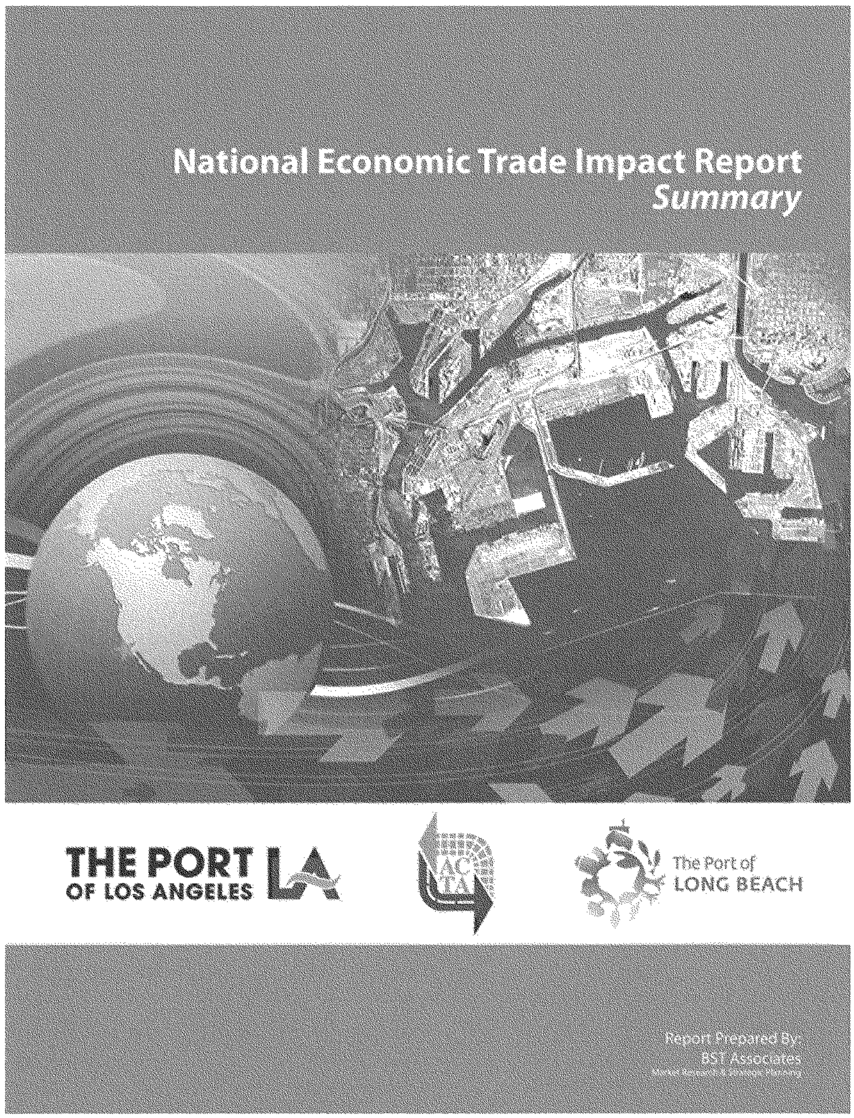
The Port of Los Angeles would like to thank the Committee for holding this hearing as the importance of this topic cannot be understated. Our nation's ports cannot be forgotten when exploring options for creating jobs, boosting the economy and increasing international trade. As the largest container port in the United States, the Port of Los Angeles takes a great deal of pride in being a model for port infrastructure. We trust that Congress will take the necessary action to ensure that the Port of Los Angeles and ports across the country receive the necessary funding to continue to make

The Port of Los Angeles
Geraldine Knatz, Ph.D.
Written Testimony

infrastructure improvements. With the proper focus on supply chain infrastructure, the United States will continue to lead the world in international trade well into the twenty-first century.

Attachments

1. National Economic Trade Impact Study, Federal Summary
2. Importers and Exporters by Congressional District
3. President's Export Council Letter
4. PNRS Congressional Letter
5. Harbor Maintenance Trust Fund Expenditures, Congressional Research Service (CRS 7-5700 R41042) January 10, 2011


National Economic Trade Impact Report
Summary
THE PORT OF LOS ANGELES
LA
ACTA
The Port of LONG BEACH
Report Prepared By:
BST Associates

National Economic Trade Impact Report
San Pedro Bay Ports

INTRODUCTION

The San Pedro Bay Port Complex, comprised of the Port of Los Angeles and the Port of Long Beach, in partnership with the Alameda Corridor Transportation Authority (ACTA), is the cargo gateway to the nation. The economic trade impact of the San Pedro Bay Ports is significant. The Port of Los Angeles and Port of Long Beach are the first and second largest ports in the nation, and combined are the fifth largest port complex in the world.

The San Pedro Bay Ports handle approximately 43% of the nation's total import traffic and 27% of its total exports, generating jobs, income, and tax revenue in every state and congressional district in the country. With more than $287 billion in containerized trade moving through the ports from September 2007 through September 2008, the San Pedro Bay Ports continue to be a vital component of the nation's economy.

After a significant peak in 2006 and 2007, cargo numbers dropped in 2008 because of the recent national economic downturn. Despite this drop in cargo, 2008 was the third highest year ever in terms of total containers handled at the San Pedro Bay Ports. The recent 2009 cargo forecast commissioned by the ports reflects the impacts of the economic downturn and projects that cargo volumes will return to the 2007 by about the year 2014.

This study updates three similar studies conducted in 1994, 2000, and 2005, and illustrates the need for a continued federal commitment to supporting and improving Southern California's goods movement infrastructure network.

SIZE AND GROWTH OF TRADE VALUE

The amount of trade flowing through the San Pedro Bay Ports has more than tripled since 1990, and is expected to at least double by the year 2030.

- When this National Economic Trade Impact Report was first presented using 1994 data, the number of full international containers moving through the San Pedro Bay Ports was 3.8 million twenty-foot equivalent units (TEUs). That number grew to 9.2 million TEUs in 2005. Cargo numbers over the last few years have fluctuated, spiking in 2006 and 2007, and dropping more recently because of the international economic downturn. In FY 2008, 10.4 million TEUs traveled through the San Pedro Bay Ports.
- The growth in the national impact of goods moving through the San Pedro Bay Ports grew from $74 billion in 1994 to $256 billion in 2005, a 246% increase. The value of trade in FY2008 was 12% higher than 2005 despite the economic downturn.

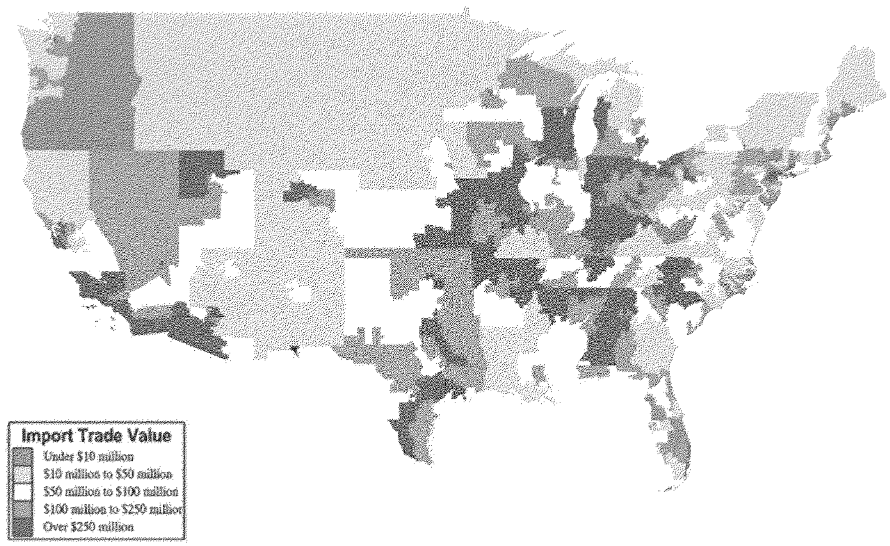
NATIONAL TAX REVENUE IMPACT

- National, state and local taxes generated from trade activity grew from an estimated $6 billion in 1994 to $28 billion in 2005. In FY2008, that number was $30 billion.

NATIONAL JOB IMPACT

- The number of direct, indirect and induced jobs associated with the trade generated by the San Pedro Bay Ports has stayed constant through this recent economic downturn. In 1994, the San Pedro Bay Ports produced 1.1 million jobs nationally and grew to 3.3 million in 2005. Jobs increased to 3.4 million in FY2008. Jobs, however, shifted from import related to export related between 2005 and FY2008.

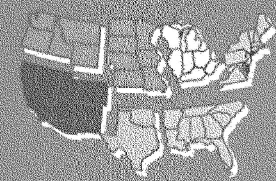
Estimated Total Trade Value By Congressional District



THE PORT OF LOS ANGELES LA

The Port of LONG BEACH

The San Pedro Bay Ports: The Nation's Gateway

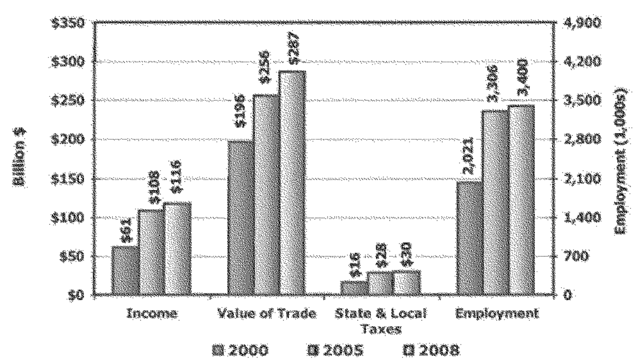


Today, more than one-third of all U.S. international container traffic depends on the ports of Long Beach and Los Angeles, the San Pedro Bay Ports, to reach its market. This equates to more than $287 billion in trade in FY2008, representing a 12.1% increase in the value of trade when compared to 2005.

Nationwide, 3.4 million jobs are linked to this trade. Job growth related to trade at the ports of Los Angeles and Long Beach has grown more than 2.84% since 2005.

State and local taxes generated throughout the country from this trade have grown from $28 billion in 2005 to more than $30 billion in 2008.

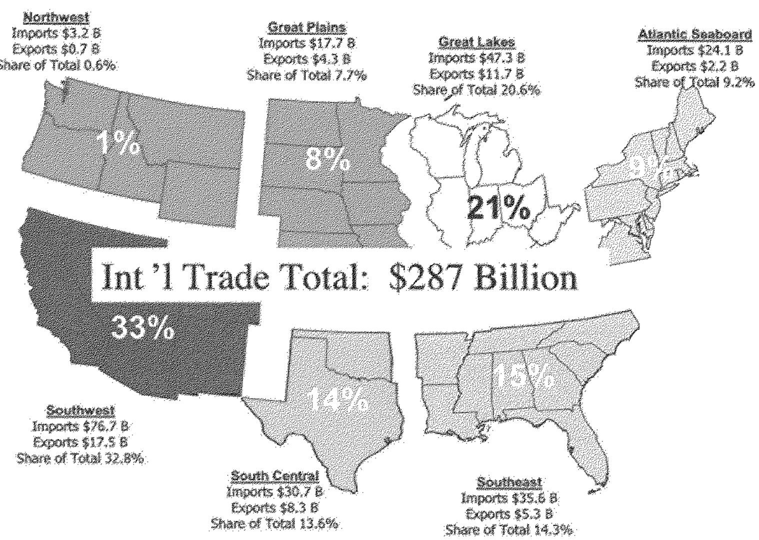
National Impact of Trade Through the San Pedro Bay Ports



THE PORT OF LOS ANGELES LA

The Port of LONG BEACH

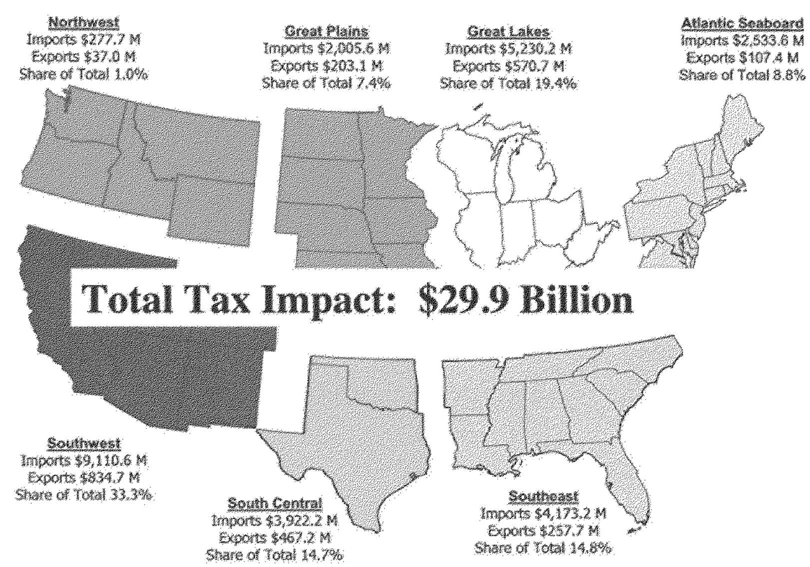
Value of Containerized Trade in FY2008 Through The San Pedro Bay Ports



THE PORT OF LOS ANGELES LA

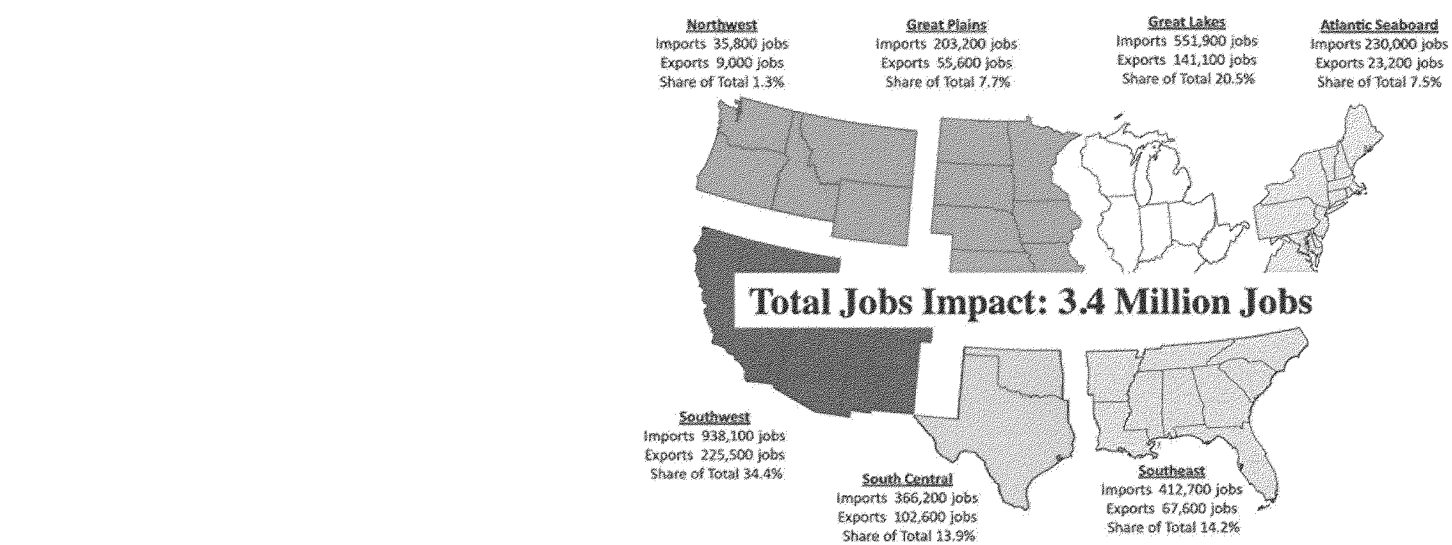
The Port of LONG BEACH

Taxes Generated by Containerized Trade Through San Pedro Bay Ports in FY 2008



THE PORT OF LOS ANGELES LA
The Port of LONG BEACH

Job Impacts of Containerized Trade Through The San Pedro Bay Ports in FY2008



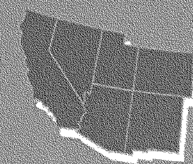
THE PORT OF LOS ANGELES LA
The Port of LONG BEACH

Summary of Trade Impacts for Containerized Trade Through San Pedro Bay Ports in FY2008

($ = billions)

	Exports	Imports	Total
Trade Value	$50.0	$237.1	$287.1
Economic Impacts			
Output	$112.0	$301.8	$413.8
Income	$25.7	$90.8	$116.5
State & Local Taxes	$2.5	$27.4	$29.9
Total Jobs	625,000	2,754,000	3,379,000

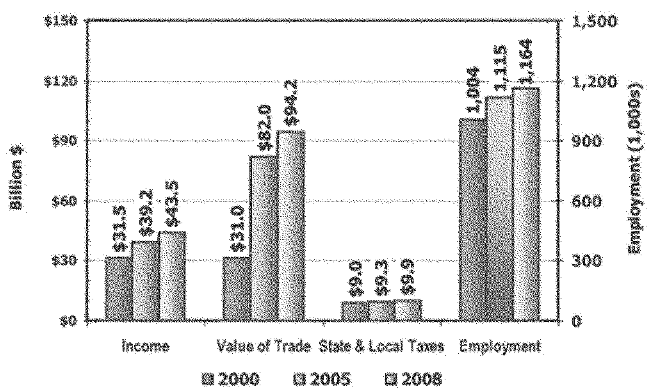
Southwest Region



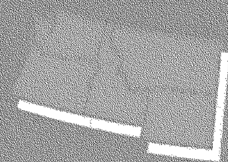
The San Pedro Bay Ports play a vital role in the Southwest Region's economy. Both ports serve the 17 million people and numerous major industries located in Southern California, as well as the major population centers throughout California and the Southwest. More than 1.16 million jobs in the Southwest Region are directly or indirectly related to port activity, as are more than $9.94 **billion in state and local tax revenues.**

The San Pedro Bay Ports also serve as a major export center for fresh fruits and foods, petroleum products, and raw materials such as coal and borax. In 2008, the total value of exports and imports handled for the Southwest Region was valued at more than **$94.2 billion.**

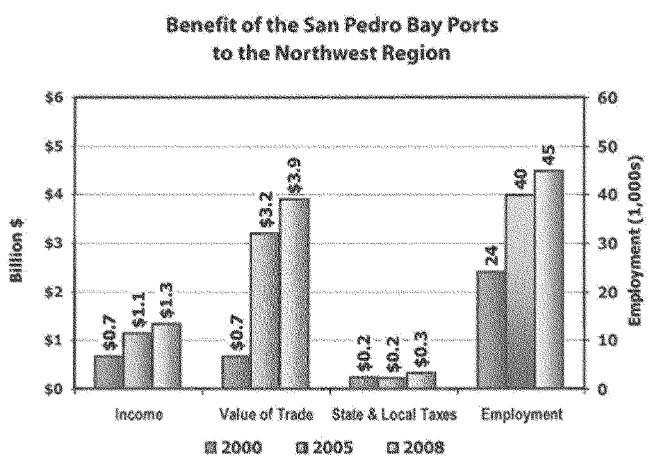
Benefit of the San Pedro Bay Ports



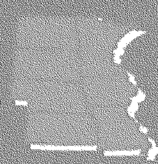
Northwest Region



Even though there are port facilities located in the Northwest, the region benefits from trade coming through the San Pedro Bay Ports. More than $3.9 billion of trade traveled between the San Pedro Bay Ports and the Northwest Region in FY2008. Additionally, during the same time period more than 44,800 jobs and $314.7 million in state and local tax revenues in 2008 were related to the trade activity from the San Pedro Bay Ports.



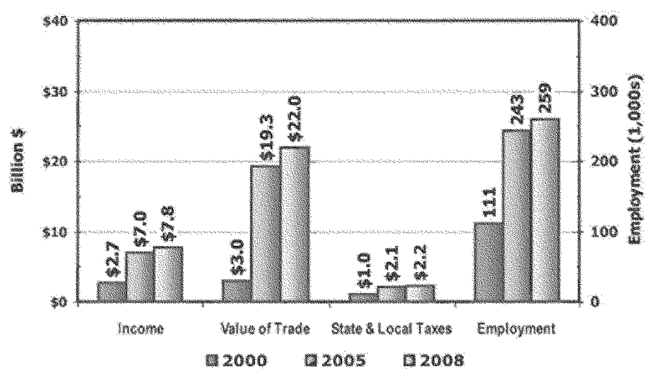
Great Plains Region



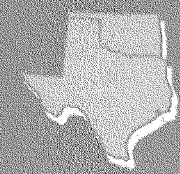
A majority of agricultural industry companies and manufacturers in the Great Plains region ship their products through the San Pedro Bay Ports.

Great Plains Region-based companies like Pillsbury and Ralston Purina use the San Pedro Bay Ports to export their products to markets throughout the Pacific Rim. The value of this trade was valued at $22 billion in FY2008. Trade activities to the Great Plains Region generated more than 258,000 jobs and $2.21 billion in state and local tax revenues.

Benefit of the San Pedro Bay Ports to the Great Plains Region



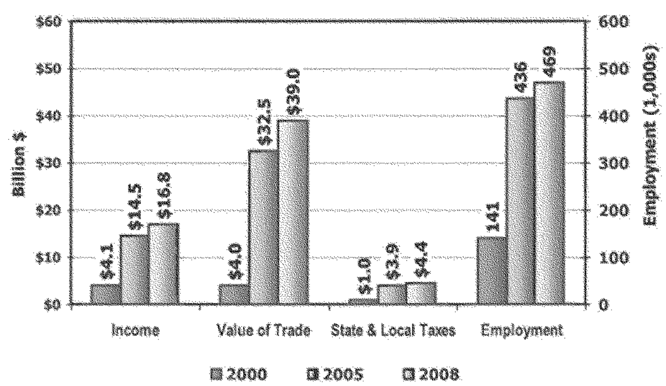
South Central Region

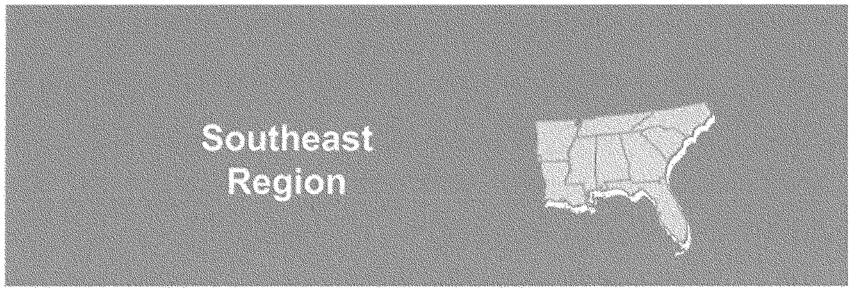


The South Central Region of the United States transported more than $39 billion in trade through the San Pedro Bay Ports in FY2008.

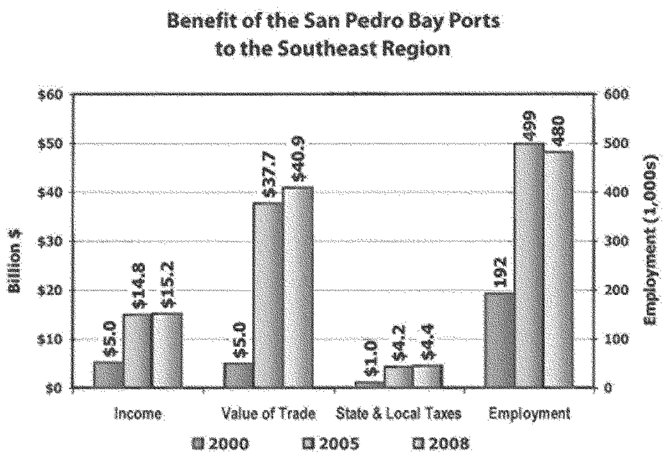
The South Central Region has 468,800 jobs directly or indirectly associated with trade activity involving the San Pedro Bay Ports, and it also received $4.39 billion in state and local tax revenues in FY2008. The South Central Region is one of the leading exporters of petroleum and agricultural products to Pacific Rim markets.

Benefit of the San Pedro Bay Ports to the South Central Region





In FY2008, the value of the Southeast Region's trade through the San Pedro Bay Ports was more than **$40.9 billion**. There are nearly **480,000 jobs** in the Southeast Region directly linked to trade coming through these two ports. More than **$4.4 billion in state and local tax revenues** was generated in 2008 in the Southeast as a result of trade moved through the San Pedro Bay Ports.

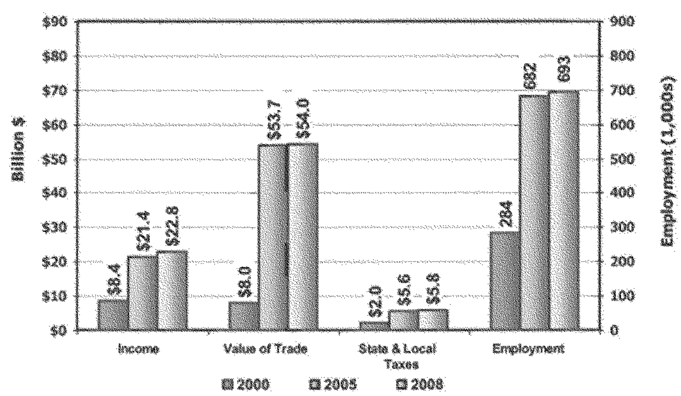


Great Lakes Region

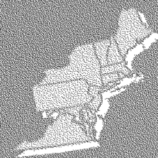
The Great Lakes Region is the nation's industrial heartland. The value of international trade from the San Pedro Bay Ports moving through this region exceeded **$54 billion** in FY2008.

In FY2008, trade activity from the San Pedro Bay Ports produced nearly **693,000 direct and indirect jobs** in the Great Lakes Region and in addition to generating approximately **$5.8 billion a year in state and local tax revenue.**

Benefit of the San Pedro Bay Ports to the Great Lakes Region



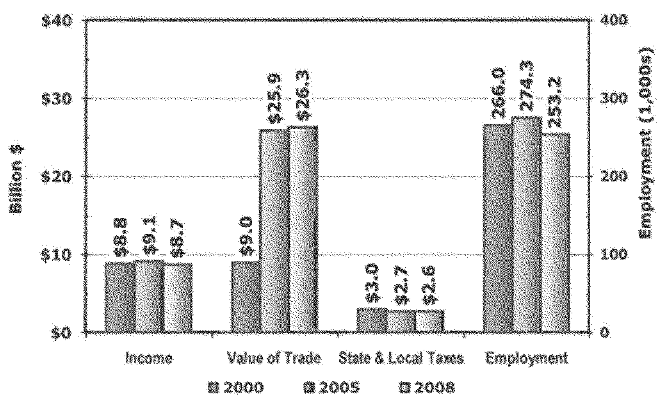
Atlantic Seaboard Region



The nation's largest concentration of population, jobs, and industry is located on the Atlantic Seaboard. Nearly $26.3 **billion** of trade from the San Pedro Bay Ports was transported to this region in FY2008.

More than 253,000 jobs in this region are directly or indirectly related to the distribution of these goods to and from the San Pedro Bay Ports. State and local governments in this region collected nearly $2.64 **billion in taxes** in 2008 be-

Benefit of the San Pedro Bay Ports to the Atlantic Seaboard Region



Trade Value by State in FY 2008 Through The San Pedro Bay Ports

State	Exports	Imports	Total	State	Exports	Imports	Total
Alabama	651.6	2,465.6	3,117.3	Montana	8.0	603.5	611.4
Alaska	3.4	620.6	624.1	Nebraska	539.0	1,206.0	1,745.0
Arizona	521.7	9,815.5	10,337.2	Nevada	91.5	4,131.9	4,223.4
Arkansas	559.5	3,329.6	3,889.1	New Hampshire	25.4	496.7	522.1
California	16,120.3	55,646.5	71,766.8	New Jersey	339.3	2,921.4	3,260.7
Colorado	310.0	3,143.3	3,453.3	New Mexico	44.8	2,050.5	2,095.4
Connecticut	134.2	1,282.4	1,416.6	New York	534.7	6,265.9	6,800.6
Delaware	18.2	313.5	331.7	North Carolina	416.3	4,808.3	5,224.6
Dist. of Columbia	4.1	168.7	172.8	North Dakota	21.8	423.2	445.0
Florida	161.3	8,384.5	8,545.8	Ohio	1,646.8	10,566.9	12,213.6
Georgia	384.7	4,704.6	5,089.3	Oklahoma	374.0	4,003.1	4,377.0
Hawaii	3.0	1,024.2	1,027.2	Oregon	156.6	465.0	621.6
Idaho	22.1	1,014.9	1,037.0	Pennsylvania	672.8	4,584.1	5,256.9
Illinois	4,544.2	11,336.1	15,880.3	Rhode Island	18.9	376.8	395.7
Indiana	1,314.1	6,311.7	7,625.7	South Carolina	156.2	2,323.0	2,479.2
Iowa	887.4	2,883.5	3,770.9	South Dakota	19.8	535.8	555.6
Kansas	955.7	2,618.4	3,574.1	Tennessee	1,363.6	3,199.5	4,563.1
Kentucky	1,069.3	3,890.9	4,960.2	Texas	7,975.6	26,705.5	34,681.1
Louisiana	1,324.4	4,926.9	6,251.2	Utah	407.5	1,874.9	2,282.4
Maine	9.8	473.5	483.3	Vermont	5.7	239.4	245.2
Maryland	73.1	1,907.0	1,980.1	Virginia	152.3	2,768.4	2,920.7
Massachusetts	196.8	2,300.1	2,496.9	Washington	481.7	786.3	61,268.0
Michigan	1,574.9	8,935.9	10,510.8	West Virginia	404.6	650.3	1,054.9
Minnesota	932.0	4,829.3	5,761.3	Wisconsin	1,178.2	5,585.4	6,763.6
Mississippi	282.8	1,497.6	1,780.4	Wyoming	18.5	404.9	423.4
Missouri	901.7	5,238.1	6,139.9	United States	50,014.2	237,039.4	287,053.6

Summary of Trade Impacts by Congressional Districts in FY2008
Goods Shipped Through The San Pedro Bay Ports

State Name	District Number	Export Value ($1,000's)	Import Value ($1,000's)	Total Value ($1,000's)
Alabama	1	$100,000	$59,200	$159,200
Alabama	2	$172,400	$301,500	$473,800
Alabama	3	$9,000	$470,200	$479,200
Alabama	4	$600	$154,600	$155,200
Alabama	5	$30,800	$384,800	$415,500
Alabama	6	$100	$136,100	$136,200
Alabama	7	$2,300	$78,300	$80,600
Alaska	At Large	$700	$700	$1,400
Arizona	1	$-	$42,400	$42,400
Arizona	2	$200	$56,000	$56,200
Arizona	3	$1,100	$200,400	$201,500
Arizona	4	$114,900	$476,800	$591,600
Arizona	5	$70,600	$267,200	$337,800
Arizona	6	$6,000	$138,200	$144,200
Arizona	7	$10,700	$327,100	$337,700
Arizona	8	$-	$70,200	$70,200
Arkansas	1	$10,200	$334,500	$344,700
Arkansas	2	$400	$219,700	$220,100
Arkansas	3	$50,600	$1,776,200	$1,826,800
Arkansas	4	$3,200	$70,800	$74,000
California	1	$7,000	$23,800	$30,800
California	2	$5,400	$27,600	$33,000
California	3	$5,500	$32,100	$37,600
California	4	$319,900	$14,800	$334,700
California	5	$78,300	$18,300	$96,600
California	6	$33,900	$148,200	$182,100
California	7	$36,300	$43,900	$80,200
California	8	$108,100	$662,400	$770,500
California	9	$153,500	$98,400	$251,800
California	10	$121,100	$1,076,700	$1,197,800
California	11	$28,600	$208,400	$237,100
California	12	$250,500	$526,100	$776,600
California	13	$56,400	$786,700	$843,100
California	14	$6,800	$846,400	$853,200
California	15	$81,300	$892,600	$973,900
California	16	$13,600	$1,775,000	$1,788,600
California	17	$64,600	$56,400	$120,900
California	18	$4,800	$11,600	$16,400

Summary of Trade Impacts by Congressional Districts in FY2008 Goods Shipped Through The San Pedro Bay Ports (continued)

State Name	District Number	Export Value ($1,000's)	Import Value ($1,000's)	Total Value ($1,000's)
California	19	$126,000	$61,400	$187,400
California	20	$416,000	$81,300	$497,300
California	21	$67,100	$64,600	$131,700
California	22	$1,284,400	$303,500	$1,587,900
California	23	$28,800	$330,700	$359,500
California	24	$38,200	$616,800	$655,100
California	25	$22,500	$194,800	$217,300
California	26	$387,900	$2,465,900	$2,853,700
California	27	$42,600	$498,200	$540,900
California	28	$52,500	$403,000	$455,400
California	29	$266,300	$773,600	$1,039,900
California	30	$36,200	$1,090,800	$1,127,100
California	31	$16,200	$840,300	$856,500
California	32	$674,400	$2,203,500	$2,877,900
California	33	$33,900	$511,900	$545,800
California	34	$390,300	$4,545,300	$4,935,600
California	35	$1,284,900	$1,208,200	$2,493,100
California	36	$1,743,200	$2,751,700	$4,494,900
California	37	$4,639,300	$3,995,300	$8,634,700
California	38	$747,400	$5,195,600	$5,942,900
California	39	$640,000	$1,978,400	$2,618,400
California	40	$208,800	$1,560,800	$1,769,600
California	41	$5,800	$82,800	$88,600
California	42	$318,900	$1,828,600	$2,147,500
California	43	$204,300	$2,756,600	$2,960,900
California	44	$12,400	$536,700	$549,000
California	45	$12,700	$107,100	$119,800
California	46	$220,000	$934,100	$1,154,100
California	47	$128,200	$1,116,300	$1,244,500
California	48	$188,100	$3,010,000	$3,198,100
California	49	$86,500	$338,200	$424,700
California	50	$126,700	$661,700	$788,400
California	51	$121,400	$3,937,400	$4,058,800
California	52	$50,200	$410,900	$461,200
California	53	$122,600	$1,001,400	$1,124,000
Colorado	1	$14,600	$343,100	$357,700
Colorado	2	$7,300	$363,800	$371,100
Colorado	3	$2,400	$29,900	$32,200
Colorado	4	$255,500	$55,400	$310,900
Colorado	5	$300	$21,700	$22,000
Colorado	6	$2,200	$182,100	$184,300
Colorado	7	$27,700	$104,000	$131,700

Summary of Trade Impacts by Congressional Districts in FY2008 Goods Shipped Through The San Pedro Bay Ports (continued)

State Name	District Number	Export Value ($1,000's)	Import Value ($1,000's)	Total Value ($1,000's)
Connecticut	1	$4,300	$38,500	$42,700
Connecticut	2	$400	$32,600	$33,100
Connecticut	3	$2,400	$69,600	$72,000
Connecticut	4	$66,700	$488,600	$555,200
Connecticut	5	$60,500	$107,600	$168,100
Delaware	At Large	$18,200	$35,800	$53,900
Dist. of Columbia	98	$4,100	$47,600	$51,700
Florida	1	$100	$201,100	$201,200
Florida	2	$100	$51,500	$51,600
Florida	3	$200	$73,400	$73,600
Florida	4	$3,600	$136,200	$139,800
Florida	5	$-	$7,100	$7,100
Florida	6	$4,500	$65,000	$69,600
Florida	7	$2,100	$113,100	$115,100
Florida	8	$1,600	$68,300	$69,900
Florida	9	$400	$65,100	$65,500
Florida	10	$5,200	$158,700	$163,900
Florida	11	$5,500	$107,500	$113,100
Florida	12	$900	$42,900	$43,800
Florida	13	$-	$54,400	$54,400
Florida	14	$200	$105,300	$105,500
Florida	15	$300	$9,800	$10,100
Florida	16	$200	$7,000	$7,200
Florida	17	$8,300	$266,200	$274,500
Florida	18	$49,500	$258,800	$308,300
Florida	19	$300	$589,100	$589,300
Florida	20	$6,700	$100,600	$107,300
Florida	21	$57,900	$275,300	$333,300
Florida	22	$6,300	$428,400	$434,700
Florida	23	$2,800	$142,400	$145,200
Florida	24	$200	$19,200	$19,400
Florida	25	$4,600	$42,400	$47,000
Georgia	1	$5,500	$11,600	$17,100
Georgia	2	$4,600	$120,600	$125,200
Georgia	3	$11,100	$729,200	$740,300
Georgia	4	$3,200	$248,700	$251,900
Georgia	5	$194,100	$662,800	$856,900
Georgia	6	$78,200	$373,500	$451,600
Georgia	7	$5,000	$512,200	$517,200

Summary of Trade Impacts by Congressional Districts in FY2008 Goods Shipped Through The San Pedro Bay Ports (continued)

State Name	District Number	Export Value ($1,000's)	Import Value ($1,000's)	Total Value ($1,000's)
Georgia	8	$100	$13,100	$13,200
Georgia	9	$46,100	$270,600	$316,700
Georgia	10	$2,100	$53,400	$55,500
Georgia	11	$4,000	$484,900	$489,000
Georgia	12	$8,300	$29,200	$37,500
Georgia	13	$22,300	$130,700	$153,000
Hawaii	1	$2,900	$23,400	$26,300
Hawaii	2	$100	$19,800	$19,900
Idaho	1	$2,000	$11,700	$13,700
Idaho	2	$20,100	$24,400	$44,400
Illinois	1	$3,400	$51,900	$55,300
Illinois	2	$700	$108,600	$109,300
Illinois	3	$38,800	$281,500	$320,300
Illinois	4	$3,000	$88,400	$91,500
Illinois	5	$81,600	$183,800	$265,400
Illinois	6	$2,567,700	$2,098,800	$4,666,500
Illinois	7	$126,200	$627,300	$753,400
Illinois	8	$84,200	$1,915,700	$1,999,900
Illinois	9	$75,200	$537,100	$612,300
Illinois	10	$331,700	$1,598,700	$1,930,400
Illinois	11	$82,300	$185,800	$268,100
Illinois	12	$19,200	$101,300	$120,500
Illinois	13	$238,100	$627,000	$865,100
Illinois	14	$101,500	$464,500	$566,000
Illinois	15	$123,100	$85,900	$209,100
Illinois	16	$139,100	$322,500	$461,600
Illinois	17	$98,500	$96,300	$194,800
Illinois	18	$412,100	$63,600	$475,800
Illinois	19	$17,700	$156,600	$174,300
Indiana	1	$1,400	$47,200	$48,600
Indiana	2	$50,100	$287,400	$337,600
Indiana	3	$21,500	$250,400	$271,900
Indiana	4	$112,300	$744,600	$856,900
Indiana	5	$36,500	$386,500	$423,000
Indiana	6	$35,100	$189,200	$224,300
Indiana	7	$553,500	$456,900	$1,010,400
Indiana	8	$18,000	$69,000	$86,900
Indiana	9	$107,800	$258,900	$366,700

Summary of Trade Impacts by Congressional Districts in FY2008
Goods Shipped Through The San Pedro Bay Ports (continued)

State Name	District Number	Export Value ($1,000's)	Import Value ($1,000's)	Total Value ($1,000's)
Iowa	1	$900	$173,800	$174,700
Iowa	2	$35,400	$398,500	$434,000
Iowa	3	$27,700	$86,200	$113,900
Iowa	4	$2,000	$175,500	$177,500
Iowa	5	$84,600	$36,800	$121,400
Kansas	1	$42,200	$90,100	$132,300
Kansas	2	$66,600	$423,200	$489,800
Kansas	3	$173,400	$482,800	$656,200
Kansas	4	$156,100	$433,700	$589,800
Kentucky	1	$12,000	$148,500	$160,500
Kentucky	2	$22,200	$277,700	$299,900
Kentucky	3	$54,500	$340,600	$395,100
Kentucky	4	$275,500	$305,500	$580,900
Kentucky	5	$1,600	$22,100	$23,700
Kentucky	6	$53,700	$984,200	$1,037,800
Louisiana	1	$102,000	$113,300	$215,400
Louisiana	2	$21,200	$92,100	$113,300
Louisiana	3	$8,700	$41,300	$50,000
Louisiana	4	$5,500	$48,400	$53,900
Louisiana	5	$6,100	$47,800	$53,900
Louisiana	6	$149,900	$63,300	$213,200
Louisiana	7	$1,600	$39,700	$41,300
Maine	1	$1,800	$9,200	$10,900
Maine	2	$300	$30,200	$30,500
Maryland	1	$16,700	$22,100	$38,800
Maryland	2	$11,000	$127,600	$138,600
Maryland	3	$12,000	$139,300	$151,300
Maryland	4	$5,600	$9,600	$15,200
Maryland	5	$100	$53,600	$53,700
Maryland	6	$100	$35,500	$35,600
Maryland	7	$26,300	$51,500	$77,700
Maryland	8	$1,200	$32,000	$33,300
Massachusetts	1	$101,400	$71,900	$173,300
Massachusetts	2	$700	$78,700	$79,400
Massachusetts	3	$3,000	$74,500	$77,500
Massachusetts	4	$5,200	$127,500	$132,600
Massachusetts	5	$2,100	$71,200	$73,400

Summary of Trade Impacts by Congressional Districts in FY2008 Goods Shipped Through The San Pedro Bay Ports (continued)

State Name	District Number	Export Value ($1,000's)	Import Value ($1,000's)	Total Value ($1,000's)
Massachusetts	6	$4,900	$222,100	$227,000
Massachusetts	7	$30,800	$186,900	$217,700
Massachusetts	8	$26,200	$147,000	$173,300
Massachusetts	9	$12,000	$155,300	$167,300
Massachusetts	10	$10,500	$57,900	$68,400
Michigan	1	$2,300	$13,800	$16,100
Michigan	2	$26,900	$296,700	$323,600
Michigan	3	$71,400	$220,800	$292,200
Michigan	4	$900,400	$28,500	$928,800
Michigan	5	$7,200	$103,800	$111,000
Michigan	6	$14,200	$170,100	$184,300
Michigan	7	$11,200	$219,900	$231,000
Michigan	8	$900	$51,400	$52,300
Michigan	9	$109,500	$328,000	$437,500
Michigan	10	$2,800	$92,200	$94,900
Michigan	11	$66,700	$512,200	$578,900
Michigan	12	$20,900	$268,100	$289,000
Michigan	13	$36,600	$1,238,700	$1,275,300
Michigan	14	$61,000	$65,900	$127,000
Michigan	15	$243,100	$231,000	$474,100
Minnesota	1	$8,800	$69,000	$77,800
Minnesota	2	$26,600	$159,100	$185,700
Minnesota	3	$166,700	$217,600	$384,300
Minnesota	4	$626,200	$85,300	$711,500
Minnesota	5	$58,300	$584,600	$642,900
Minnesota	6	$23,900	$39,900	$63,900
Minnesota	7	$21,500	$14,100	$35,500
Minnesota	8	$-	$19,500	$19,600
Mississippi	1	$300	$724,800	$725,100
Mississippi	2	$39,500	$47,000	$86,400
Mississippi	3	$1,900	$75,800	$77,700
Mississippi	4	$8,200	$73,200	$81,400
Missouri	1	$405,000	$585,900	$990,900
Missouri	2	$28,900	$151,700	$180,500
Missouri	3	$10,400	$216,300	$226,700
Missouri	4	$700	$100,800	$101,500
Missouri	5	$37,900	$317,200	$355,100
Missouri	6	$167,900	$339,500	$507,400
Missouri	7	$17,000	$516,900	$533,900

Summary of Trade Impacts by Congressional Districts in FY2008 Goods Shipped Through The San Pedro Bay Ports (continued)

STATE NAME	DISTRICT NUMBER	EXPORT VALUE ($1,000's)	IMPORT VALUE ($1,000's)	TOTAL VALUE ($1,000's)
Missouri	8	$4,900	$46,900	$51,800
Missouri	9	$1,900	$278,100	$278,000
Montana	At Large	$800	$26,000	$26,700
Nebraska	1	$23,800	$51,900	$75,600
Nebraska	2	$166,500	$220,600	$387,100
Nebraska	3	$35,700	$24,300	$60,100
Nevada	1	$27,800	$292,600	$320,400
Nevada	2	$2,200	$129,900	$132,200
Nevada	3	$3,800	$196,100	$199,900
New Hampshire	1	$4,200	$44,600	$48,800
New Hampshire	2	$700	$51,300	$52,100
New Jersey	1	$600	$29,600	$30,300
New Jersey	2	$600	$5,200	$5,900
New Jersey	3	$1,300	$136,500	$137,800
New Jersey	4	$2,800	$46,200	$49,000
New Jersey	5	$28,600	$229,900	$258,500
New Jersey	6	$23,700	$139,800	$163,500
New Jersey	7	$67,400	$392,200	$459,600
New Jersey	8	$9,400	$256,900	$266,300
New Jersey	9	$51,600	$1,110,700	$1,162,400
New Jersey	10	$6,300	$38,000	$44,300
New Jersey	11	$64,800	$323,200	$388,000
New Jersey	12	$22,700	$137,200	$159,900
New Jersey	13	$59,300	$76,000	$135,300
New Mexico	1	$200	$93,500	$93,700
New Mexico	2	$1,800	$23,100	$25,000
New Mexico	3	$300	$25,700	$26,000
New York	1	$600	$38,100	$38,700
New York	2	$3,100	$269,700	$272,800
New York	3	$7,800	$66,400	$74,200
New York	4	$118,500	$100,600	$219,100
New York	5	$13,600	$762,200	$775,800
New York	6	$110,700	$58,300	$169,000
New York	7	$700	$39,600	$40,300
New York	8	$169,300	$1,711,300	$1,880,500
New York	9	$900	$23,400	$24,400

Summary of Trade Impacts by Congressional Districts in FY2008 Goods Shipped Through The San Pedro Bay Ports (continued)

State Name	District Number	Export Value ($1,000's)	Import Value ($1,000's)	Total Value ($1,000's)
New York	10	$-	$11,600	$11,600
New York	11	$100	$25,500	$25,700
New York	12	$900	$88,000	$88,900
New York	13	$16,900	$13,400	$30,200
New York	14	$29,700	$2,417,200	$2,447,000
New York	15	$100	$104,300	$104,500
New York	16	$-	$6,600	$6,600
New York	17	$1,600	$26,900	$28,600
New York	18	$15,100	$203,700	$218,700
New York	19	$1,000	$28,400	$29,300
New York	20	$1,900	$14,200	$16,100
New York	21	$7,100	$15,800	$22,900
New York	22	$10,800	$8,200	$19,000
New York	23	$500	$32,700	$33,200
New York	24	$2,800	$13,800	$16,600
New York	25	$2,400	$30,800	$33,200
New York	26	$200	$33,700	$33,900
New York	27	$11,700	$43,800	$55,500
New York	28	$4,200	$15,500	$19,700
New York	29	$2,600	$62,100	$64,700
North Carolina	1	$2,100	$15,800	$17,900
North Carolina	2	$2,100	$58,900	$61,000
North Carolina	3	$42,200	$6,400	$48,600
North Carolina	4	$6,400	$68,000	$74,300
North Carolina	5	$100	$872,500	$872,600
North Carolina	6	$28,000	$142,300	$170,300
North Carolina	7	$2,400	$35,300	$37,700
North Carolina	8	$7,100	$76,800	$83,900
North Carolina	9	$82,300	$398,800	$481,100
North Carolina	10	$10,500	$270,700	$281,200
North Carolina	11	$100	$43,000	$43,000
North Carolina	12	$28,600	$870,100	$898,700
North Carolina	13	$8,000	$72,700	$80,700
North Dakota	At Large	$1,300	$48,200	$49,500
Ohio	1	$10,900	$251,600	$262,500
Ohio	2	$226,200	$152,000	$378,200
Ohio	3	$85,100	$389,800	$474,900
Ohio	4	$125,400	$157,800	$283,000
Ohio	5	$18,100	$275,300	$293,300
Ohio	6	$27,200	$35,000	$62,200

Summary of Trade Impacts by Congressional Districts in FY2008 Goods Shipped Through The San Pedro Bay Ports (continued)

State Name	District Number	Export Value ($1,000's)	Import Value ($1,000's)	Total Value ($1,000's)
Ohio	7	$26,000	$160,000	$186,000
Ohio	8	$12,900	$185,000	$198,000
Ohio	9	$12,500	$92,900	$105,400
Ohio	10	$324,400	$293,100	$617,500
Ohio	11	$146,100	$187,900	$334,000
Ohio	12	$42,100	$175,700	$217,800
Ohio	13	$180,600	$338,400	$519,000
Ohio	14	$121,800	$472,500	$594,300
Ohio	15	$50,900	$559,300	$610,100
Ohio	16	$34,200	$321,700	$355,900
Ohio	17	$111,000	$249,700	$360,700
Ohio	18	$1,000	$113,500	$114,500
Oklahoma	1	$54,000	$162,000	$216,000
Oklahoma	2	$18,100	$121,900	$140,000
Oklahoma	3	$9,500	$103,800	$113,300
Oklahoma	4	$16,800	$69,800	$86,700
Oklahoma	5	$24,200	$305,600	$329,900
Oregon	1	$40,200	$227,900	$268,200
Oregon	2	$90,200	$8,600	$98,800
Oregon	3	$12,500	$197,200	$209,700
Oregon	4	$7,800	$9,800	$17,600
Oregon	5	$5,900	$21,500	$27,400
Pennsylvania	1	$231,100	$70,900	$302,000
Pennsylvania	2	$41,700	$72,400	$114,100
Pennsylvania	3	$5,800	$119,300	$125,000
Pennsylvania	4	$16,400	$276,100	$292,500
Pennsylvania	5	$500	$18,600	$19,000
Pennsylvania	6	$9,200	$101,500	$110,700
Pennsylvania	7	$10,000	$162,600	$172,600
Pennsylvania	8	$4,200	$197,900	$202,000
Pennsylvania	9	$700	$22,500	$23,200
Pennsylvania	10	$300	$144,000	$144,200
Pennsylvania	11	$12,200	$29,300	$41,500
Pennsylvania	12	$500	$89,200	$89,600
Pennsylvania	13	$46,400	$82,600	$129,000
Pennsylvania	14	$174,100	$200,700	$374,800
Pennsylvania	15	$49,800	$93,600	$143,400
Pennsylvania	16	$13,200	$106,700	$119,900
Pennsylvania	17	$11,800	$105,900	$117,700
Pennsylvania	18	$13,200	$94,000	$107,300

Summary of Trade Impacts by Congressional Districts in FY2008 Goods Shipped Through The San Pedro Bay Ports (continued)

State Name	District Number	Export Value ($1,000's)	Import Value ($1,000's)	Total Value ($1,000's)
Pennsylvania	19	$32,000	$134,700	$166,700
Rhode Island	1	$900	$138,900	$139,900
Rhode Island	2	$3,900	$146,900	$150,800
South Carolina	1	$37,000	$146,300	$183,300
South Carolina	2	$400	$62,900	$63,300
South Carolina	3	$700	$113,600	$114,400
South Carolina	4	$24,800	$386,500	$411,300
South Carolina	5	$900	$356,600	$357,500
South Carolina	6	$91,500	$75,100	$166,700
South Dakota	At Large	$19,800	$29,700	$49,500
Tennessee	1	$116,900	$56,400	$173,300
Tennessee	2	$51,500	$178,700	$230,200
Tennessee	3	$1,000	$111,700	$112,700
Tennessee	4	$6,100	$90,000	$96,100
Tennessee	5	$71,600	$535,500	$607,000
Tennessee	6	$178,100	$777,500	$955,500
Tennessee	7	$276,900	$246,300	$523,300
Tennessee	8	$10,000	$80,500	$90,500
Tennessee	9	$471,200	$1,122,900	$1,594,000
Texas	1	$5,100	$124,100	$129,200
Texas	2	$317,600	$103,600	$421,300
Texas	3	$79,900	$688,300	$768,100
Texas	4	$5,100	$242,700	$247,700
Texas	5	$5,700	$176,300	$182,000
Texas	6	$1,200	$313,300	$314,500
Texas	7	$601,700	$682,000	$1,283,700
Texas	8	$142,900	$138,600	$281,500
Texas	9	$159,700	$561,900	$721,600
Texas	10	$7,100	$1,838,600	$1,845,700
Texas	11	$6,500	$155,600	$162,100
Texas	12	$70,600	$376,300	$446,900
Texas	13	$19,100	$55,600	$74,700
Texas	14	$29,200	$67,000	$96,300
Texas	15	$6,800	$119,900	$126,700
Texas	16	$151,100	$1,666,300	$1,817,400
Texas	17	$200	$160,100	$160,300
Texas	18	$2,638,900	$1,557,100	$4,196,000
Texas	19	$80,200	$58,500	$138,700

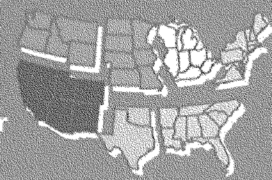
Summary of Trade Impacts by Congressional Districts in FY2008 Goods Shipped Through The San Pedro Bay Ports (continued)

State Name	District Number	Export Value ($1,000's)	Import Value ($1,000's)	Total Value ($1,000's)
Texas	20	$17,800	$309,800	$327,700
Texas	21	$5,300	$148,700	$154,100
Texas	22	$237,900	$525,400	$763,300
Texas	23	$300	$77,800	$78,000
Texas	24	$360,600	$1,421,400	$1,782,000
Texas	25	$1,500	$326,400	$327,900
Texas	26	$19,200	$476,000	$495,200
Texas	27	$9,000	$184,700	$193,800
Texas	28	$4,200	$1,027,800	$1,032,000
Texas	29	$300,600	$521,200	$821,800
Texas	30	$333,400	$411,500	$745,000
Texas	31	$1,200	$93,000	$94,200
Texas	32	$509,100	$637,800	$1,146,900
Utah	1	$169,400	$375,100	$544,400
Utah	2	$102,000	$95,600	$197,600
Utah	3	$52,000	$235,000	$287,000
Vermont	At Large	$5,700	$14,300	$20,100
Virginia	1	$100	$87,800	$87,800
Virginia	2	$5,900	$37,400	$43,300
Virginia	3	$8,800	$80,400	$89,100
Virginia	4	$13,300	$79,000	$92,300
Virginia	5	$4,300	$30,900	$35,200
Virginia	6	$700	$51,100	$51,800
Virginia	7	$80,500	$120,800	$201,300
Virginia	8	$3,200	$10,600	$13,800
Virginia	9	$-	$23,500	$23,500
Virginia	10	$34,600	$40,500	$75,100
Virginia	11	$900	$6,200	$7,100
Washington	1	$51,900	$180,500	$232,400
Washington	2	$5,600	$43,800	$49,400
Washington	3	$3,400	$31,700	$35,100
Washington	4	$51,300	$9,800	$61,200
Washington	5	$100	$8,500	$8,700
Washington	6	$2,000	$22,900	$24,900
Washington	7	$104,500	$258,800	$363,200
Washington	8	$126,800	$102,300	$229,100
Washington	9	$136,300	$128,000	$264,200

Summary of Trade Impacts by Congressional Districts in FY2008 Goods Shipped Through The San Pedro Bay Ports (continued)

State Name	District Number	Export Value ($1,000's)	Import Value ($1,000's)	Total Value ($1,000's)
West Virginia	1	$4,400	$13,300	$17,700
West Virginia	2	$1,100	$62,300	$63,400
West Virginia	3	$4,800	$7,000	$11,800
Wisconsin	1	$236,800	$406,300	$643,100
Wisconsin	2	$41,800	$477,300	$519,000
Wisconsin	3	$55,600	$99,100	$154,700
Wisconsin	4	$107,000	$138,400	$245,400
Wisconsin	5	$30,000	$721,800	$751,800
Wisconsin	6	$93,900	$330,800	$424,600
Wisconsin	7	$100,100	$147,800	$247,900
Wisconsin	8	$92,900	$106,100	$199,100
Wyoming	At Large	$600	$18,300	$18,900

The San Pedro Bay Ports:
America's Gateway
A National Goods Movement Corridor



National Economic Trade Impact Report

Prepared by: BST Associates
Marketing Research & Strategic Planning
P.O. Box 82388
Kenmore, WA 98028-0388
(425) 486-7722
bstassoc@seanet.com

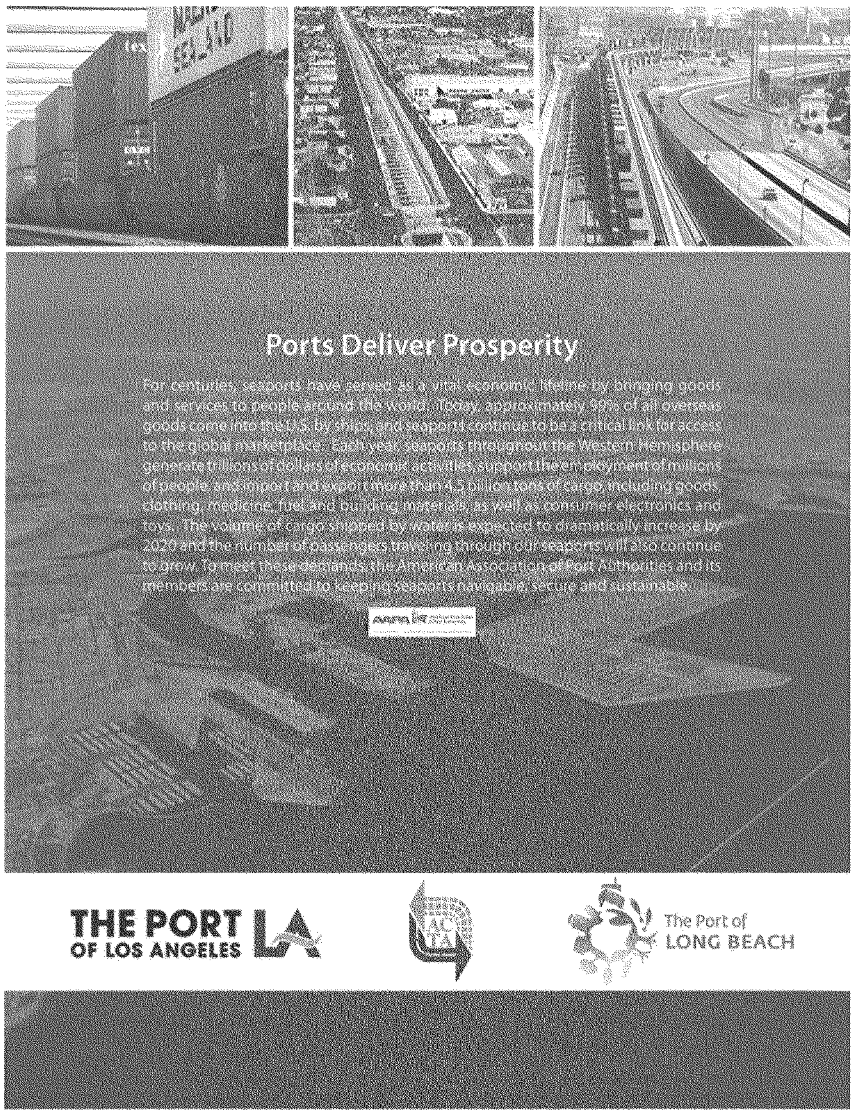
Prepared for: Alameda Corridor Transportation Authority
Port of Los Angeles
Port of Long Beach

Contact Information

Samara Ashley
Director of Government Affairs
Port of Long Beach
925 Harbor Plaza
Long Beach, CA 90801
(562) 590-4115
Ashley@polb.com

Marisela Caraballo DiRuggiero
Legislative Representative
Port of Los Angeles
425 S. Palos Verdes Street
San Pedro, CA 90731
(310) 732-3505
mcaraballo@portla.org

Connie A. Rivera
Public Affairs
Alameda Corridor Transportation Authority
One Civic Plaza, Suite 350
Carson, CA 90745
(310) 847-4312
CRivera@acta.org


Ports Deliver Prosperity
For centuries, seaports have served as a vital economic lifeline by bringing goods and services to people around the world. Today, approximately 99% of all overseas goods come into the U.S. by ships, and seaports continue to be a critical link for access to the global marketplace. Each year, seaports throughout the Western Hemisphere generate trillions of dollars of economic activities, support the employment of millions of people, and import and export more than 4.5 billion tons of cargo, including goods, clothing, medicine, fuel and building materials, as well as consumer electronics and toys. The volume of cargo shipped by water is expected to dramatically increase by 2020 and the number of passengers traveling through our seaports will also continue to grow. To meet these demands, the American Association of Port Authorities and its members are committed to keeping seaports navigable, secure and sustainable.
THE PORT OF LOS ANGELES
The Port of LONG BEACH

ATTACHMENT 2—IMPORTERS AND EXPORTERS BY CONGRESSIONAL DISTRICT

Attachment 2 may be accessed online at the Government Printing Office's Federal Digital System (FDsys) at: http://www.gpo.gov/fdsys/search/pagedetails.action?granuleId=CPRT-112HPRT73283&packageId=CPRT-112HPRT73283. In the "Download Files" section of the Web page, select the PDF format.

THE PRESIDENT'S EXPORT COUNCIL
WASHINGTON, D.C. 20230

March 11, 2011

President of the United States of America
The White House
Washington, DC 20500

Dear Mr. President,

As members of the President's Export Council, we appreciate the opportunity to help you and your Administration craft a national strategy to enhance our nation's ability to send American- made goods and services into markets around the world.

A robust, reliable, and efficient domestic transportation infrastructure is the critical 'first-step' on the road to more exports, and your Administration has made a tremendous investment in repairing and replacing our nation's aging infrastructure. As you explained in the 2011 State of the Union address, "*Over the last two years, we have begun rebuilding for the 21st century, a project that has meant thousands of good jobs for the hard-hit construction industry.*" We support these efforts, not only because of the positive economic impact they have had, but also because of the role they play in facilitating exports.

America's transportation infrastructure is also America's export infrastructure.

America's highways, railways, bridges, waterways, ports, runways and air traffic control systems are at the very beginning of a very long global logistics chain. American business cannot participate in the global economy if it cannot get its products out the door.

This is an effort that includes all modes of transportation:

- Freight rail moves goods in and out of 49 of the 50 states.
- 70% of all U.S. freight moves at some point by truck.
- 60% of all U.S. grain exports are shipped through the mouth of the Mississippi River.
- In 2009, U.S exports transported by U.S. passenger and cargo airlines equaled $334 billion or nearly 20% of all U.S. exports of goods and services.
- U.S. ports support, directly and indirectly, more than 13 million American jobs.

There are several steps we suggest your Administration consider enhancing America's export infrastructure:

1. Comprehensive Review and Collaboration. The Department of Transportation (DOT) should embark on a top-down review of the nation's export infrastructure value chain in order to determine where the weaknesses and choke-points are located. Armed with this information,

collaboration between local, state and federal agencies and the private sector should be encouraged to create opportunities that will speed products to overseas markets. The Regional Goods Movement Plan being created by the Port Authority of New York and New Jersey and the Southern California Multi-County Goods Movement Action Plan are examples of significant regional effort that align with the PEC's goals.

2. Develop Export Corridors. Using the results of the DOT 's study, your Administration should identify export infrastructure 'corridors' and build federal inter-agency and inter-governmental teams to provide strategic guidance for the development, management and enhancement of export infrastructure programs. Various incentives to encourage private sector infrastructure investment within the corridors could also be explored. Protecting and modernizing the vital Detroit/Windsor border crossing, projects to prepare South Atlantic seaports for the calling of Post-Panamax vessels, and rail-focused improvements to the San Pedro Bay Ports complex are examples of areas where a newfound commitment to export infrastructure is needed.

3. Export Driven Prioritization of Infrastructure Projects. There is a long list of transportation infrastructure projects awaiting action. We believe that the federal government should take into account their positive impact on exports when evaluating, prioritizing, and scheduling transportation infrastructure projects. As you explained in your 2011 State of the Union address, we should pick infrastructure projects "*...based on what's best for the economy, not politicians.*" Assigning a metric to each project that compares a project's contribution to increasing exports relative to its overall cost might be one way to highlight those efforts where the contribution is exceptionally strong. Investments to upgrade ports, such as the one at Long Beach, California, and those serving the Pacific Northwest, would likely find themselves well-placed on such a list. The Lower Mississippi River is in need of reliable funding for dredging in order to maintain a safe depth for navigation and prevent disruptions to ship traffic and the commerce it supports. Modernizing our nation's outdated air traffic control system, including the acceleration of NextGen, is another critical infrastructure priority that will help drive export growth.

4. Comprehensive Funding Strategy. Modernizing our nation's export infrastructure system will require not only greater investment, but also more efficient use of resources in light of your Administration's focus on reducing the federal budget deficit. Nevertheless, your Administration should ensure that transportation trust funds are used for infrastructure development, not deficit reduction. The highway, inland waterways and aviation trust funds, protected by budgetary firewalls, should be the backbone of these transportation infrastructure investments. We further encourage consideration of the establishment of a National Infrastructure Bank, which will leverage private and other non-federal government resources to make wise investments in infrastructure projects that will help drive exports.

5. Address longer-term structural needs of exporters. Efforts such as Surface Transportation Board reform (involving rail competition), using truck-only lanes in congested urban areas, reducing driver wait times, and alleviating the significant shortage of long-haul drivers will promote efficient and cost-effective interstate commerce and further enable the export corridors to flourish. Improving our infrastructure to reduce congestion and wait times will bring efficiencies

to our nation's supply chain that will translate to savings and help reduce the burden on small- and medium-sized businesses engaged in commerce.

These policy suggestions can be readily applied to existing infrastructure funding programs. Developing the metrics to better understand a project's impact on exports will help our nation decide where to invest our limited infrastructure dollars.

As you know, infrastructure investments benefit more than just the export community; the positive domestic economic impact of this investment is tremendous:

- U.S. ports are directly responsible for 8.4 million jobs.
- U.S. freight rail paid $18 billion in wages alone.
- One of every thirteen private sector employees in the U.S. works in trucking.
- Transportation construction generates over $245 billion in annual economic activity and supports more than three million U.S. jobs.
- The U.S. air transportation system supports a civil aviation industry that accounts for $1.2 trillion in economic activity, or 5.2 percent of U.S. Gross Domestic Product (GDP), while the U.S. aerospace industry has the largest export surplus of any manufacturing sector.
- Accelerating NextGen and incentivizing the necessary avionics equipage would generate over $30 billion in economic activity.
- And America's rural communities draw particular economic strength from their ability to generate trade surpluses year after year.

The dynamic global economy is open to America's manufacturers, small businesses, farmers, and other innovators. Through continued investment in America's export infrastructure, your Administration can help ensure America's competitive advantage through our ability to offer products on affordable, reliable, and consistent terms.

Thank you again for the opportunity to share these important ideas with you and your Administration.[1]

Sincerely,

[1] Please note that this letter has been prepared by the private-sector appointed members of the PEC.

Congress of the United States
Washington, DC 20515

June 23, 2011

The Honorable John L. Mica
Chairman
House Committee on Transportation
and Infrastructure
2165 Rayburn Building

The Honorable Nick J. Rahall
Ranking Member
House Committee on Transportation
and Infrastructure
2163 Rayburn Building

Dear Chairman Mica and Ranking Member Rahall:

We write to express our support for a robust Projects of National and Regional Significance (PNRS) program, with a strong focus on economic measures, in the upcoming reauthorization of the Surface Transportation Act.

According to the Bureau of Transportation Statistics, "productivity growth in freight transportation has long been a driving force for the growth of U.S. overall productivity and contributed directly to the growth of the U.S. GDP." The Federal Highway Administration (FHWA) calls freight transportation a "big part of the economy." The value generated by transportation services in moving goods and people through the transit network is about 5% of Gross Domestic Product. Yet, we have failed to adequately steer the resources needed for safe and efficient movement of freight.

Often, the critical freight infrastructure projects are large in scale, multimodal and multi-jurisdictional. As a result, these projects have difficulty receiving funding through the existing formula programs. PNRS, however, was designed to address large capital investment needs, and freight projects would compete very well in the program.

Fully funding a competitive and merit-based PNRS program in the upcoming bill – and strengthening the criteria to focus more specifically on large-scale projects that have a broad and substantial economic impact – will help ensure the nation's goods movement infrastructure is strengthened. Ensuring a dedicated stream of funding for large-scale infrastructure projects is critical to U.S. productivity and global competitiveness.

Thank you for your consideration of this important matter.

Sincerely,

Jean Schmidt
Rep. Jean Schmidt
Member of Congress

Jerrold Nadler
Rep. Jerrold Nadler
Member of Congress

Geoff Davis
Rep. Geoff Davis
Member of Congress

Earl Blumenauer
Rep. Earl Blumenauer
Member of Congress

The Honorable John L. Mica
The Honorable Nick J. Rahall
June 23, 2011
Page 2

Rep. Steve Chabot
Member of Congress

Rep. Corrine Brown
Member of Congress

Rep. Randy Hultgren
Member of Congress

Rep. Norman D. Dicks
Member of Congress

Rep. Larry Bucshon
Member of Congress

Rep. Albio Sires
Member of Congress

Rep. Cathy McMorris Rodgers
Member of Congress

Rep. Dan Lipinski
Member of Congress

Rep. Adam Kinzinger
Member of Congress

Rep. Grace F. Napolitano
Member of Congress

Rep. Adam Smith
Member of Congress

Rep. John Lewis
Member of Congress

Rep. Jay Inslee
Member of Congress

Rep. James P. Moran
Member of Congress

The Honorable John L. Mica
The Honorable Nick J. Rahall
June 23, 2011
Page 3

Rep. Bobby L. Rush
Member of Congress

Rep. Carolyn B. Maloney
Member of Congress

Rep. Rick Larsen
Member of Congress

Rep. Lucille Roybal-Allard
Member of Congress

Rep. Bob Filner
Member of Congress

Rep. Steve Cohen
Member of Congress

Rep. Judy Chu
Member of Congress

Rep. David Wu
Member of Congress

Rep. Linda T. Sanchez
Member of Congress

Rep. Adam B. Schiff
Member of Congress

Rep. Kurt Schrader
Member of Congress

Congressional Research Service

Harbor Maintenance Trust Fund Expenditures

John Frittelli
Specialist in Transportation Policy

January 10, 2011

Congressional Research Service
7-5700
www.crs.gov
R41042

CRS Report for Congress
Prepared for Members and Committees of Congress

Summary

In 1986, Congress enacted the Harbor Maintenance Tax (HMT) to recover operation and maintenance (O&M) costs at U.S. coastal and Great Lakes harbors from maritime shippers. O&M is mostly the dredging of harbor channels to their authorized depths and widths. The tax is levied on importers and domestic shippers using coastal or Great Lakes ports. Due to a Supreme Court decision in 1998, exporters no longer pay the tax because it was found unconstitutional. The tax is assessed at a rate of 0.125% of cargo value ($1.25 per $1,000 in cargo value). The tax revenues are deposited into the Harbor Maintenance Trust Fund (HMTF) from which Congress appropriates funds for harbor dredging.

Despite a large surplus in the trust fund, the busiest U.S. harbors are presently under-maintained. The U.S. Army Corps of Engineers (Corps) estimates that full channel dimensions at the nation's busiest 59 ports are available less than 35% of the time. This situation can increase the cost of shipping as vessels carry less cargo in order to reduce their draft or wait for high tide before transiting a harbor. It could also increase the risk of a ship grounding or collision, possibly resulting in an oil spill. To rectify this situation, some are calling for increasing disbursements from the trust fund. However, Corps data indicate that a significant portion of annual HMTF disbursements are directed towards harbors which handle little or no cargo. The Oregon Inlet in North Carolina, Grays Harbor in Washington, Humboldt Harbor in California, and the Lake Washington Ship Canal in Seattle are some of the harbors or waterways that fit this description. Commercial fishermen and recreational boat (or yacht) owners account for most, if not all, of the vessel traffic in these harbors. Fishermen and recreational boaters do not pay the HMT. Some might argue that to target one group of harbor users for assessing a fee and then to distribute revenues mostly, or entirely, in some cases, for the benefit of other users, undermines the "trust fund" and "user fee" concept. The Administration requested and Congress provided funding for a pilot program that began in FY2010 to investigate the feasibility of having non-cargo harbor users finance the dredging requirements of harbors with little or no commerce.

In addition to the distribution of HMT revenues for the benefit of non-cargo harbor users, there are also equity issues associated with HMT revenue distribution among the nation's top commercial ports. Due to geological differences, ports vary greatly in the amount of dredging they require. About one-fifth of HMTF expenditures are spent in Louisiana. The ports of Mobile, AL, and Portland, OR also are relatively expensive to maintain. The amount of HMT revenue ports generate also varies significantly due to differences in the amount and characteristics of the cargoes they handle. Consequently, HMT revenues are redistributed from ports that are large import gateways with naturally deep channels to lower volume ports that require frequent dredging to maintain adequate channel depths and widths. The ports of Los Angeles, Long Beach, Seattle, and Tacoma, and to a lesser degree, Boston, New York, and Houston are large net generators of HMT revenue. International cargo predominates at most ports. Ports compete for this cargo, and the growth of containerized cargo and the prospective expansion of the Panama Canal have intensified competition among U.S. ports.

Legislation was introduced in the 111th Congress that had varying objectives regarding the HMT. H.R. 3447 and H.R. 4844/S. 3213 would spend down the surplus in the HMTF. H.R. 2355 would increase the tax rate and expand use of the HMTF for landside port infrastructure improvements. H.R. 3486, H.R. 638, S. 551, and S. 1509 would repeal the tax on non-bulk cargo shipped on the Great Lakes and along the coasts in an effort to divert truck cargo from congested highways to waterways. None of these bills were enacted.

Contents

Figures

Tables

Contacts

Introduction

In 1986, the Harbor Maintenance Tax (HMT) was enacted to fund U.S. Army Corps of Engineers' (USACE or the Corps) activities related to the routine operation and maintenance (O&M) of harbors, namely the dredging of harbor channels to their authorized depths and widths. This tax is assessed on the value of imported and domestic cargo handled at ports at the current rate of 0.125% ($1.25 per $1,000 in cargo value), which in recent years has raised over $1 billion annually. U.S. waterborne exporters no longer pay the tax because a 1998 U.S. Supreme Court ruling found it unconstitutional. Importers generate about 95% of the tax revenue. The tax revenues are deposited into the Harbor Maintenance Trust Fund (HMTF) from which Congress annually appropriates funds for harbor maintenance.

In recent years, HMTF annual expenditures have remained relatively flat while HMT collections have increased due to rising import volume (except in 2009 when collections declined along with import volume). Consequently, a large "surplus" in the HMTF has developed. Despite the surplus, the busiest U.S. harbors are not being fully maintained, according to the Corps. Full channel dimensions are, on average, available less than about a third of the time at the 59 highest use U.S. harbors.[1] Under-maintained channels in busy U.S. ports could increase the risks of ship groundings or collisions, resulting in spilled cargo or fuel oil. They also could raise the cost of shipping, requiring ships to carry less cargo to reduce their draft or wait for high tide before transiting a harbor. To rectify this situation, some industry stakeholders seek to enact a "spending guarantee" to spend down the surplus in the HMTF. However, examining where trust fund monies have been spent indicates that little or no shipping is taking place at many of the harbors and waterways that shippers are paying to maintain. Some of these harbors or waterways are among the most expensive to maintain in the country and collectively they represent a significant portion of total HMTF expenditures. Thus, in addition to possibly increasing HMTF expenditures, policymakers may consider whether current expenditures are being efficiently and equitably utilized. Given the amount of HMT collections not spent on harbors and the amount spent on harbors with little or no cargo, a rough estimate is that less than half and perhaps as little as a third of every HMT dollar collected is being spent to maintain harbors that shippers frequently use.

Economic and equity issues related to HMT expenditures and collections are the main focus of this report. Before analyzing these issues, the report reviews the legislative history of the tax and legal challenges to it, discusses the advantages and disadvantages of alternative funding mechanisms, and describes the commercial context of current dredging activity. The last section identifies legislation related to harbor maintenance funding.

Background

Legislative History

The HMTF was established by Title XIV of the Water Resources Development Act of 1986 (WRDA, P.L. 99-662, enacted November 17, 1986). Prior to 1986, U.S. Treasury general funds

[1] USACE, FY2010 Budget Justification, p. RIO-12. Highest use is based on cargo tonnage handled.

were used to pay the federal share for operation and maintenance (O&M) of harbors and for the deepening of channels.[2] The HMT was originally assessed at 0.04% of the cargo value. This revenue was intended to pay for 40% of O&M costs incurred by the Army Corps of Engineers and 100% of O&M costs of the St. Lawrence Seaway. Section 11214 of the Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) increased the HMT from 0.04% to 0.125% in order to recover 100% of the Corps' port O&M expenditures.

In addition to imported and domestic waterborne cargo handled at ports, the tax is assessed on the value of the ticket in the case of cruise ship passengers. As mentioned earlier, export waterborne cargo is not taxed as per a 1998 Supreme Court decision that found that it violates the export clause of the Constitution, which states that, "No tax or duty shall be laid on articles exported from any state."[3] At the time, exports generated about a third of the fund's revenues. Other court decisions (including decisions by the U.S. Court of International Trade (CIT), the U.S. Court of Appeals, and the U.S. Supreme Court) have established that HMT is constitutional as applied to domestic shipments and the embarkation of cruise line passengers.

Generally, coastal and Great Lakes ports are subject to the tax. A list of ports subject to the tax is codified at 19 CFR 24.24. The list does not include ports on inland rivers that are subject to the inland waterways fuel tax collected for the Inland Waterways Trust Fund. Passengers aboard ferries and cargo moving to and from Alaska (except for crude oil), Hawaii, and other U.S. possessions are also not subject to the tax. Since 1998, nearly all of the tax revenue is generated by importers of waterborne cargo[4]—domestic cargo shippers generate only about 5% of the revenue and cruise ship passengers less than 1%. A significant amount of HMT revenue is not collected from domestic shippers. The Corps' preliminary estimate is that approximately $500 million per year remains uncollected.[5] The Corps is working with U.S. Customs and Border Protection (CBP) to improve tax collection from these shippers. Five hundred million dollars represents 44% of the total amount collected in FY2009 and is about eight times more than the amount currently collected from domestic shippers.

The HSUF Proposal

In its 1998 decision the U.S. Supreme Court stated that a user fee based on the value of service provided to a marine carrier would not violate the Constitution. In August 1998, the Clinton Administration proposed a new revenue generating system using a Harbor Services User Fee (106th Congress, H.R. 1947). The payment of the Harbor Services User Fee (HSUF) would be placed on the carrier, rather than the shipper[6] (who pays the current HMT). The HSUF was based on a vessel's capacity, as measured by vessel capacity units, which are a volumetric measurement of ship size based on net tonnage or gross tonnage as appropriate, and its frequency of port use per voyage. Revenues from the fee would be deposited into a proposed Harbor Services Fund, which would fund both routine maintenance and harbor-deepening projects (new work). The proposal was aimed at satisfying the Supreme Court ruling by establishing a closer link between

[2] Prior to1986, the federal share of operation, maintenance, and deepening of ocean and inland ports was 65%. The remaining 35% was paid by the ports, or by state and local government.

[3] U.S. Supreme Court, *United States v. United States Shoe Corp.*, 523 U.S. 360 (1998).

[4] Foreign Trade Zone cargo is subject to the tax and is included with imports.

[5] USACE, FY2011 Budget Justification, p. RIO-66.

[6] A "shipper" is the owner of the cargo that pays a vessel operator (carrier) to transport it.

the revenue collection and the service provided, while being consistent with trade obligations. The 106th Congress did not pursue the Clinton Administration's proposal or other proposals, such as a return to funding maintenance and dredging from general revenues (H.R. 1260).

The stated advantage of the HSUF proposal was that it required ship owners to internalize the cost of deploying larger ships. Although larger ships save money on the ocean leg, they increase costs at port because, among other things, they require deeper channels and berths.[7] Ship operators do not fully calculate these costs in their decision to build larger ships because dredging costs are borne by others, namely their customers (for harbor maintenance) and federal taxpayers (for harbor deepening). To the extent that dredging costs are external to a ship operator's cost-benefit calculation, its decisions regarding fleet investment will be biased in favor of larger ships. If these costs were internalized by the ship operators through payment of a dredging fee based on ship size, some say, ship investment decisions would more accurately reflect the true cost of bigger ships.

Trading Partner Objections

The federal government is statutorily required to continue collecting the HMT from non-export cargo and passenger ships. The European Union sees the application of the HMT to imports as a discriminatory import tariff that violates U.S. obligations under the World Trade Organization (WTO). In February 1998, the European Union requested WTO consultations on the issue. A first round of consultations took place in March 1998. Second round negotiations, which included Japan, Norway, and Canada, took place in June 1998. The European Union indicated that if satisfactory legislation was not passed by January 1, 2000, it would ask for a WTO dispute resolution panel. As of 2009, however, the European Union has not requested a panel.

Overview of Dredging Operations

The HMTF is used to fund maintenance dredging, not new construction. Maintenance dredging is work performed to maintain a channel's depth and width to the dimensions authorized by Congress. To increase a channel's authorized depth or width requires an act of Congress, which is referred to as construction or "new work" by the Corps and is funded from the General Treasury, not the HMTF. There are also different federal/local cost sharing requirements between construction and maintenance dredging as indicated in the following table.

[7] The cost of bigger ships is illustrated at the Port of New York/New Jersey. To deepen the port to 50 feet, dredgers have had to go beyond just removing soft clay and silt—they have had to blast away up to ten feet of bedrock. But the "design" draft of a ship is not the only concern; sufficient "air" draft can also be a problem. To reach most of the port's terminals, ships must pass under the Bayonne Bridge, which has an under-deck clearance of 156 feet at low tide, too low for the size of ships expected to call at the port once the Panama Canal has finished its deepening project. The port authority is studying options to either raise the deck of the existing bridge, build a new bridge, or dig a tunnel under the ship channel.

Table 1. Cost-Share Requirements for Corps Harbor Projects

Operation and Maintenance and Construction

Harbor Depth	Federal Share and (Source of Funds)	
	Operation & Maintenance	Construction
< 20 feet	100% (HMTF)	80% (General Treasury)[a]
20-45 feet	100% (HMTF)	65% (General Treasury)[a]
> 45 feet	50% (HMTF)	40% (General Treasury)[a]

Source: 33 U.S.C. 2211.

a. The non-federal sponsor pays 10% of the cost over a period not to exceed 30 years. For example, of the 20% paid by a non-federal sponsor for the construction of a harbor of less than 20 feet, 10% of the total (half of the non-federal sponsor's costs) is paid over 30 years.

Over the last decade, maintenance dredging has accounted for about seven out of every ten federal dredging dollars and about 84% of the total material dredged (construction dredging has accounted for the remaining three dollars and 16% of total material dredged). About 80% of maintenance dredging is performed by private contractors under the USACE's direction. On a per cubic yard basis, construction dredging is over twice as expensive as maintenance dredging. In constant dollars (2000), the USACE calculates that maintenance dredging costs per cubic yard have increased from $1.53 in 1963 to $3.19 in 2008.[8]

The Corps dredges only the federally designated channels in harbors. Port authorities are responsible for dredging berths, which is the area next to the pier where a ship docks.

Container Ships, the Panama Canal, and Dredging Needs

In the early 1980s, deep draft colliers (coal ships) fueled debate over U.S. port dredging needs. Today, seemingly ever-larger containerships are the primary driving force behind current dredging activity. Dry bulk vessels (ships that carry grain, soybean, ore, or coal) also have grown in size since World War II, but at present there does not appear to be a trend towards larger vessels in this category. Although oil tankers are among the largest vessels in the world fleet, typically, a supertanker stays at sea for extended periods, loading or unloading at offshore platforms or single-point moorings or discharging at designated "lightering" zones offshore where a supertanker transfers cargo to a smaller shuttle tanker.

Differences in service patterns between container and bulk ships account for the greater need of container ships for deeper access channels. Bulk tankers are usually chartered per voyage between a single origin and destination port and therefore have more flexibility in waiting for tidal action to ease their passage in port. Container ships pick up and drop off cargo at multiple ports as per an advertized schedule. Waiting for high tide would severely disrupt their service performance. Container ships typically call at three or four ports within a coastal region. They would likely be fully loaded at only the first and last calls, and partially loaded (and therefore needing less draft) at ports in between.

[8] For further information, see the USACE's Dredging Information System at http://www.ndc.iwr.usace.army.mil/dredge/dredge.htm.

Ships calling at U.S. ports have been limited in size somewhat by the dimensions of the Panama Canal. The development of double-stack container rail service in the 1980s reduced the cost of shipping containers over land across the United States, thereby reducing reliance on the Canal for transcontinental shipments, and allowing trans-Pacific carriers to deploy larger, "post-Panamax" ships. This development increased the competitiveness of U.S. West Coast ports as gateways for trans-Pacific containerized trade, which is by far much larger than trans-Atlantic trade. Recently, the Panama Canal has embarked on a widening and deepening project, expected to be completed around 2015.[9] U.S. Gulf and East Coast ports anticipate that the Canal's expansion will enhance their competitiveness vis-à-vis West Coast ports in capturing Asian cargo and, thus, their interest in dredging to accommodate larger ships has intensified. Due to geological differences, U.S. Gulf and East Coast ports, as a group, require far more dredging than do West Coast ports, some of which are particularly large generators of HMT revenue.

If U.S. ports subject to the HMT shipped more cargo between them, they would have more of an economic interest in the maintenance of each other's navigation channels.[10] However, domestic shipping on the Great Lakes and along the coasts is only one-fifth the tonnage of U.S. foreign waterborne trade and domestic vessels account for less than one in every ten ship calls at U.S. ports. Besides Alaskan and Hawaiian ports which ship goods to and from California and Washington State ports, the only other U.S. ports with significant domestic volume are Duluth, Minnesota, which ships iron ore to Indiana and Ohio Great Lakes ports, and certain Gulf Coast ports, which ship significant amounts of petroleum or chemical products between them. Thus, for most U.S. ports, the relationship with one another is more competitive than complementary. This is in contrast to the harbor maintenance funding mechanism, which creates a national pool of funds and redistributes the tax revenues from busy U.S. ports with low maintenance costs to less busy ports with higher maintenance costs.

HMTF Revenues

The revenues collected from the HMT are deposited into the HMTF. The HMTF balance is expected to be over $5 billion at the end of FY2010, as shown in **Figure 1**. Currently, revenue deposited into the HMTF exceeds transfers out of the fund, which are approved by Congress annually. Interest on collections has been over $100 million in recent fiscal years. HMTF expenditures fall under the discretionary spending budget ceilings. Congress appropriates funds for the USACE to perform navigation operation and maintenance at individual harbors. The amounts expended in a given year at harbors that qualify for recovery from the HMTF are reimbursed to the General Fund. The HMTF balance increased in FY1999 as a result of the Energy and Water Development Appropriations Act of FY1999 (P.L. 105-245), which did not require the recovery of Corps of Engineers O&M expenditures from the fund for that year. Although a decrease in international trade reduced HMT collections by about $375 million in FY2009, the current HMTF balance, in conjunction with the revenue stream from the remaining HMT collections and interest payments, is considered sufficient to recover expenditures for the foreseeable future. Because the HMTF is not a separate, or "off-budget," account within the

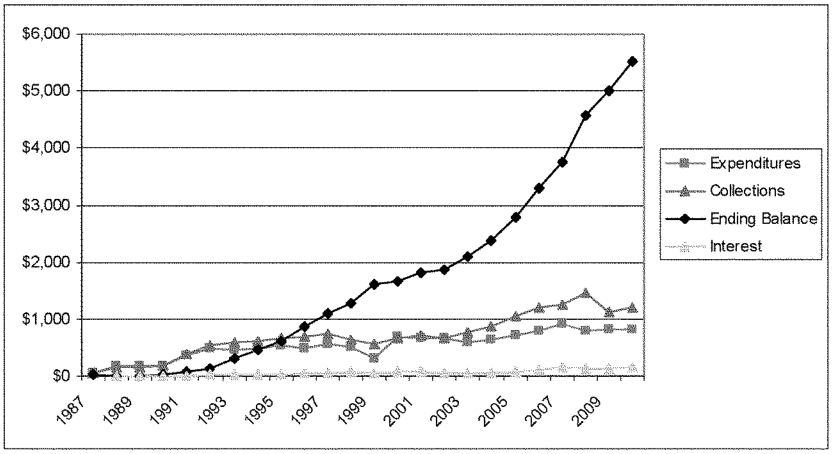
[9] The project will make possible an increase in Panamax ship dimensions in draft, length, and beam from 39.5'x 965'x 106' to at least 50'x 1,200' x 160'.

[10] The U.S. maritime industry contends that the HMT is an obstacle to coastal shipping because it raises the cost relative to truck and rail modes.

federal budget, the "surplus" in the HMTF has in effect already been spent on general government activities.

Figure 1. HMTF Balance

($ in millions)



Source: USACE annual reports to Congress on the HMTF, Federal Budget Appendix, FY2008-FY2011.

Note: Figures not adjusted for inflation.

HMT Revenue Generated by Port

In the administration of the tax, there is no attempt to identify particular port usage and allocate funds accordingly. In other words, the HMT generates a national pool of funds, which is distributed without regard to which ports used triggered collection of the tax. However, the tax is meant to be a port user charge and comparing where the tax is assessed and where the revenues are spent raises a number of policy issues. As indicated above, almost all the tax revenues are generated by importers. This means that ports which handle a large amount of imported containerized cargo are likely to be exceptional in the amount of HMT revenues they generate since containerized cargo is generally higher in value than other cargo types. Data on cargo value is collected by the federal government only for international cargo, not domestic, so it is not possible to calculate the total amount of HMT revenue that could be collected at each port. To provide a rough indication of which ports likely generate the most HMT revenues, the top 25 ports by imported cargo value in 2005 are listed in **Table 2** (2005 is the latest year available; the ranking is fairly stable from year to year). HMT revenue generation is quite concentrated. The top 15 ports account for 75% of the total value of imported cargo and the top 25 ports account for over 85% of the total value.

Table 2. Top 25 Ports by Value of Imported Cargo

2005, in millions of dollars

Rank	Port	Import Value	% of Total
1	Los Angeles, CA	$116,489	13.7%
2	New York, NY	$104,366	12.2%
3	Long Beach, CA	$103,801	12.2%
4	Houston, TX	$52,306	6.1%
5	Charleston, SC	$36,487	4.3%
6	Tacoma, WA	$28,743	3.4%
7	Hampton Roads, VA	$27,540	3.2%
8	Seattle, WA	$27,519	3.2%
9	Baltimore, MD	$27,048	3.2%
10	Oakland, CA	$23,880	2.8%
11	Savannah, GA	$22,129	2.6%
12	Morgan City, LA	$20,946	2.5%
13	Philadelphia, PA	$17,703	2.1%
14	Beaumont, TX	$15,805	1.9%
15	Corpus Christi, TX	$13,271	1.6%
16	New Orleans, LA	$11,676	1.4%
17	Miami, FL	$11,383	1.3%
18	Jacksonville, FL	$10,067	1.2%
19	South Louisiana, LA	$9,997	1.2%
20	Portland, OR	$9,329	1.1%
21	Port Everglades, FL	$9,283	1.1%
22	Texas City, TX	$9,218	1.1%
23	Christiansted, VI	$8,778	1.0%
24	Freeport, TX	$7,918	0.9%
25	Boston, MA	$7,322	0.9%

Source: Association of American Port Authorities.

Notes: 2005 is latest year available.

Among the ports listed in **Table 2**, Los Angeles, Long Beach, Tacoma, and Seattle stand out as ports whose customers generate a substantial amount of HMT revenue that is mostly spent on the maintenance of other harbors. Based on the HMTF expenditures these ports have received and the HMT revenues generated on imported cargo alone (not counting domestic cargo or cruise ship traffic), Los Angeles and Long Beach likely receive less than a penny on the dollar, and Seattle and Tacoma just over a penny for every dollar that import shippers who use their port pay in HMT. New York, Boston, and Houston likely receive less than a quarter of tax revenues collected.

HMT Revenue Generated by Shipper Group

To provide an indication of which importers generate the most revenues for the HMTF, **Table 3** lists fifteen of the top commodities by value of cargo imported by vessel into the United States in 2008. These fifteen commodities account for about 82% of total cargo value imported by vessel. Imported oil accounts for about a third of total value and generates more funds for harbor maintenance than any other commodity (as classified by the harmonized system at the 2-digit level). Consumer goods also appear to generate significant HMT revenues because motor vehicles, clothing, toys and sporting equipment, furniture, footwear, beverages, and at least a portion of appliances and electrical machinery, if aggregated, account for over a third of import value.

Table 3. Leading Commodities by Dollar Value Imported by Vessel

2008

Harmonized System 2-digit Code	Brief Commodity Description	% of total imports by vessel
27	Mineral fuels and oils	34.1
87	Vehicles, other than rail	9.8
84	Machinery and appliances	9.4
85	Electrical machinery	7.0
61	Clothing, knitted	2.7
73	Articles of iron and steel	2.4
95	Toys, games, and sporting eq.	2.4
97	Furniture, bedding, lamps, etc.	2.3
62	Clothing, not knitted	2.3
72	Iron and steel	2.1
29	Organic chemicals	1.7
39	Plastics, articles thereof	1.7
64	Footwear	1.5
40	Rubber, articles thereof	1.3
22	Beverages	1.2
	Sum of above 15 commodities	81.9

Source: Global Trade Atlas.

One advantage of a harbor maintenance tax based on cargo value is that those who can most afford to pay, pay more. Transport costs generally decrease as a percentage of cargo value as cargo value increases. Thus, even though the HMT rate increases for higher value shipments, the overall cost of transportation in relation to shipment value decreases for higher value shipments. But cargo value does not have much correlation with dredging needs, so it works less well as a user fee in this regard. One can say that shippers of high-value, low volume commodities (such as manufactured and finished goods) are likely to prefer a tax based on cargo tonnage rather than cargo value. Conversely, high-volume, low-value shippers (shippers of raw materials in bulk) are likely to prefer a tax based on cargo value rather than cargo tonnage.

HMTF Expenditures[11]

Expenditures by Activity

Maintenance dredging accounts for about four-fifths of the Corps' total harbor and channel O&M costs, ranging from about $525 million to close to $700 million per year in recent years. Since establishment of the fund in 1986, the St. Lawrence Seaway Development Corporation's (SLSDC) operations and maintenance expenditures related to the seaway also are funded from the HMTF. Since 1996, the administrative cost of collecting the tax by U.S. Customs and Border Protection (CBP) is also funded from the HMTF.[12] SLSDC and CBP expenditures from the HMTF have been relatively minor compared to the USACE's expenditures related to harbor operation and maintenance. Annually, about $15 million to $20 million has been appropriated from the HMTF to the SLSDC and $3 million to CBP.

Ancillary activities directly related to maintenance dredging or some other activity related to keeping a waterway unobstructed are also recoverable from the HMTF.[13] For instance, since 1996, HMTF funds can be used to recover the federal share of construction costs for dredged material disposal facilities and about $10 million to $15 million annually has been spent on construction of these facilities.[14] Some HMTF funds also go towards channel surveying and waterway management studies related to navigation. The USACE keeps one of its own dredges on standby for emergency dredging purposes, at a cost to the HMTF of about $5 million per year. In some harbors, drift material or aquatic weeds can be a navigation hindrance and HMTF funds are used for their removal. Maintenance of harbor breakwaters and jetties is also recoverable from the HMTF. HMTF monies have been used for the maintenance of certain bridges over waterways which are the responsibility of the Corps.

In addition to the locks operated and maintained by the SLSDC, the HMTF is used to fund the operation and maintenance of a few other locks not subject to the inland waterway fuel tax and not funded by the Inland Waterway Trust Fund. These include the Soo Locks on the St. Marys River in Michigan, the Chittenden Locks on the Lake Washington Ship Canal in Seattle, the Bonneville Lock and Dam on the Columbia River in Oregon (navigation portion only, not hydropower), the Black Rock Lock at Buffalo, the Troy Lock on the Hudson River in New York, multiple locks on the Okeechobee Waterway in Florida, and a few other locks along the Louisiana coast.

Shallow vs. Deep Draft Channels

The USACE distinguishes HMTF expenditures for deep draft versus shallow draft harbors and channels. Deep draft is greater than 14 feet, and shallow draft is 14 feet or less. On a yearly basis, since 1987, between 81% and 90% of HMTF expenditures have been spent on deep draft harbors

[11] HMTF expenditures discussed in this report are based on data obtained from the USACE for FY1999-FY2008. These data are also available in annual reports to Congress on the status of the HMTF available at http://www.iwr.usace.army.mil/inside/products/pub/publications.cfm.

[12] As per section 683 of the North American Free Trade Agreement Implementation Act (P.L. 103-182).

[13] Eligible operation and maintenance activities are defined at 33 U.S.C. 2241(2).

[14] As per section 201 of WRDA 1996 (P.L. 104-303).

and channels (thus, between 10% and 19% have been spent on shallow draft waterways). Over the last decade, about 16% of total HMTF expenditures have been spent on maintenance of shallow draft channels. Most shallow draft facilities are primarily recreational in nature and therefore contribute little (if any) revenue to the HMTF.

Expenditures by State

As **Table 4** indicates, nearly one-fifth of HMTF funds over the last decade have been spent in Louisiana. HMTF expenditures for Louisiana amount to over 2.5 times the expenditures for the second-ranking state, Texas, which accounts for about 8% of the expenditures. Michigan ranks fifth and is the only state without a salt water port in the top 15 (Ohio is the next state with only freshwater ports and ranks 17th). Although North Carolina is relatively expensive in terms of HMTF withdrawals, ranking 10th and accounting for 3% of expenditures, relatively little commercial cargo is shipped on North Carolina waterways. North Carolina ranks 28th in waterborne tonnage among the 30 coastal and Great Lakes states where the HMT is collected.[15] In 2007, North Carolina ports handled about 8% more cargo than Rhode Island ports, but its harbor maintenance costs for the same fiscal year were nearly 20 times greater than Rhode Island's. The top 20 states in **Table 4** account for 92% of HMTF expenditures from FY1999-FY2008.

Table 4. USACE HMTF Expenditures by State/Territory

FY1999-FY2008

State/Territory	Total Expenditures, FY1999-FY2008	% of Total
LA	$1,337,545,344	19.5%
TX	$528,914,950	7.7%
FL	$463,824,357	6.8%
CA	$454,587,858	6.6%
MI	$368,793,819	5.4%
WA	$360,905,495	5.3%
NY	$335,275,282	4.9%
OR	$315,371,259	4.6%
AL	$308,013,423	4.5%
NC	$203,995,135	3.0%
PA	$203,939,882	3.0%
VA	$199,879,311	2.9%
MD	$196,123,467	2.9%
DE	$175,487,487	2.6%
SC	$169,894,554	2.5%
GA	$165,198,241	2.4%
OH	$158,648,355	2.3%

[15] Based on 2007 data. USACE, *Waterborne Commerce Statistics.*

State/Territory	Total Expenditures, FY1999-FY2008	% of Total
MA	$156,619,760	2.3%
MS	$126,022,146	1.8%
AK	$103,421,238	1.5%
WI	$95,927,602	1.4%
IL	$78,650,897	1.1%
NJ	$71,275,946	1.0%
RI	$53,671,428	0.8%
IN	$42,308,218	0.6%
MN	$35,487,755	0.5%
AR	$26,486,590	0.4%
CT	$25,985,732	0.4%
ME	$21,157,401	0.3%
TN	$20,858,107	0.3%
DC	$12,306,056	0.2%
HI	$11,341,176	0.2%
WV	$10,722,657	0.2%
NH	$10,039,049	0.1%
MO	$7,345,887	0.1%
VT	$5,702,513	0.1%
KY	$3,426,413	0.0%
AS	$2,511,858	0.0%
MP	$1,673,199	0.0%
PR	$861,850	0.0%
ND	$197,016	0.0%
IA	$67,464	0.0%
Total	$6,870,466,176	100%

Source: USACE, Institute for Water Resources.

Notes: Some states/territories have no expenditures for these years. AS is American Samoa, MP is Northern Mariana Islands, and PR is Puerto Rico.

Expenditures per Channel

A list of the most expensive channels in terms of HMTF expenditures explains the state ranking. Significant factors in determining O&M costs are the amount of sand and silt moved either by a river or by coastal wave action, the total length of a channel, and number of locks. As **Table 5** indicates, the most expensive channel is the Mississippi River from Baton Rouge to the river's end at the Gulf of Mexico. This shipping channel is about 250 miles long. It accounts for 43% of Louisiana's total HMTF expenditures and about 8% of the nation's total. Hurricane Katrina may have increased the need for maintenance dredging on the waterway, but even prior to its landfall in August 2005, over twice as much HMTF expenditures were directed to Louisiana than the other leading states. Mobile Harbor in Alabama is the second most expensive, followed by the St. Marys River channel in Michigan. The St. Marys River separates Michigan from Canada, and locks on this river allow navigation between Lake Superior and Lake Huron. Other channels with locks funded from the HMTF, as identified above, are also relatively expensive and some are included among the top 25. The top 25 projects account for nearly half (49%) of total HMTF expenditures.

Table 5. Top 25 Corps Projects Requiring the Most HMTF Expenditures

FY1999-FY2008

USACE Project Name	State	Total Expenditures	% of Total
Mississippi River - Baton Rouge to Gulf	LA	$569,255,421	8.3%
Mobile Harbor	AL	$237,965,413	3.5%
St. Marys River	MI	$171,830,189	2.5%
Atchafalaya River and Bayous Chene (Morgan City)	LA	$170,549,189	2.5%
C and LW Rivers Below Vancouver, WA and Portland, OR	OR	$170,246,210	2.5%
Calcasieu River and Pass (Lake Charles)	LA	$169,437,833	2.5%
Delaware River, Philadelphia to the Sea	PA	$168,603,475	2.5%
Mississippi River - Gulf Outlet (MRGO)	LA	$165,273,740	2.4%
Sabine-Neches Waterway (Port Arthur, Beaumont)	TX	$140,012,326	2.0%
Intracoastal Waterway, Delaware River to Chesapeake Bay	DE	$128,293,084	1.9%
Savannah Harbor	GA	$123,447,085	1.8%
Columbia River at Mouth, OR and WA	WA	$118,840,779	1.7%
Baltimore Harbor and Channels	MD	$118,797,481	1.7%
Grays Harbor and Chehalis River	WA	$115,080,421	1.7%
Norfolk Harbor	VA	$96,059,577	1.4%
Houston Ship Channel	TX	$86,893,259	1.3%
Cape Cod Canal	MA	$77,146,947	1.1%
Charleston Harbor	SC	$75,709,695	1.1%
Tampa Harbor	FL	$73,591,646	1.1%
Wilmington Harbor	NC	$69,060,101	1.0%
Anchorage Harbor	AK	$66,334,135	1.0%
Lake Washington Ship Canal	WA	$62,923,861	0.9%
Manteo (Shallowbag) Bay, NC	NC	$60,250,976	0.9%
Oakland Harbor	CA	$57,531,876	0.8%
New York Harbor (Drift Removal)	NY	$56,945,637	0.8%

Source: USACE.

Notes: Project name as listed by USACE but with modification by CRS in some cases for clarity.

High Expense, Low Use Shipping Channels

Some of the project names listed in **Table 5** may not be recognizable to harbor maintenance taxpayers because they are not harbors or channels commonly used by shippers. One example is the Oregon Inlet on the Outer Banks of North Carolina (which the USACE refers to as the Manteo-Shallowbag Bay). Over the last decade, over $60 million ($6 million per year) has been spent to dredge the inlet in an attempt to maintain the channel to its authorized depth of 14 feet and width of 400 feet. Maintaining the channel to these dimensions, let alone keeping it open, is a challenge because of the notorious amount of sand that naturally moves along North Carolina's barrier islands. Essentially, the navigation channel acts as a trap for the moving sand and must be constantly removed, if the channel is to be kept passable. Although no cargo is moved through this channel, commercial fisherman, charter boat operators, and recreational craft use the inlet. The nearby fishing ports of Wanchese and Stumpy Point, North Carolina ranked 33rd in commercial fish landings in 2007 (22.4 million pounds).[16]

Oregon Inlet is exceptional in its dredging requirements but there are many more harbors, while individually costing less to maintain, collectively cost shippers hundreds of millions to maintain, even though no goods are shipped through them. Yaquina Bay and Harbor in Oregon is one example. This harbor has received over $25 million in HMT revenues over the last decade. No cargo has been shipped through this harbor in years, but it does rank 20th in commercial fish landings and is a major recreational harbor.

Grays Harbor (Westport) in Washington State is the 15th most expensive harbor channel to maintain, yet, in 2007, it ranked 133 among U.S. ports in terms of the amount of cargo it handled. Over the last decade, $115 million ($11.5 million per year) has been spent keeping the channel to its authorized depth of 48 feet. About one ocean going ship and two or three coastal barges call at this port per week. For comparison, the nearby ports of Seattle and Tacoma (Sea/Tac) have withdrawn a combined total of $16.8 million over the last decade from the HMTF ($1.7 million per year), yet these ports handle about 75 ocean going ships and thousands of barges per week and handle 44 times more cargo than does Grays Harbor. Per ship call, maintenance dredging costs at Sea/Tac amount to less than $500, while at Grays Harbor they amount to over $250,000. Although little cargo moves through Grays Harbor, it is much more significant to commercial fishermen and recreational boaters. In 2007, it ranked 13th in commercial landings of fish (98.3 million pounds).[17]

A similar situation occurs further down the coast at Humboldt Harbor (Eureka), California, which, like Grays Harbor, is highly dependent on trade in wood products. This harbor handles even less cargo than Grays Harbor, 722,000 short tons in 2007,[18] which is not enough cargo even to make the list of the top 150 U.S. ports. Even so, about $4.5 million per year is spent from the HMTF for maintenance dredging, making it the 33rd most expensive harbor to maintain. In 1998, the port embarked on a deepening project from 40 to 48 feet but ship traffic has declined since then. About one ocean going ship calls at this port per month. Barge traffic is a little more frequent. Barges do not have the same draft requirements as oceangoing ships.[19]

---

[16] USACE, *Waterborne Commerce of the United States,* 2007, Part 5, National Summaries, Table 5-3, p. 5-7.

[17] USACE, *Waterborne Commerce of the United States,* 2007, Part 5, National Summaries, Table 5-3, p. 5-7.

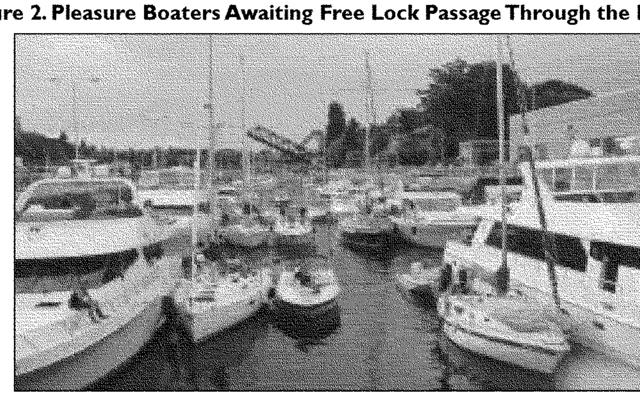
[18] A short ton is equal to 2,000 pounds.

[19] Necessary under keel clearance is generally two to three feet depending on whether the channel bottom is soft or hard.

Other high cost waterways are canals that see little or no use by cargo shippers, at least not the big ships that would require the depths to which the canals are maintained. One example is the Cape Cod Canal, built in 1914 by a private financier who figured vessels would prefer the shorter route through the canal than the more circuitous and precarious route around the Cape. It was sold to the federal government in 1928 because not enough vessel operators preferred the canal route to make it commercially viable. Today, shippers are paying $7.7 million per year for the USACE to maintain it. The only cargo shipped through the canal on a regular basis is fuel oil in barges. The Cape Cod Canal costs nearly twice what it costs to maintain the Port of Boston's channels but handles less than half the cargo.

Another example of an expensive canal of little use to shippers is the Lake Washington Ship Canal (LWSC) that connects the Puget Sound with Lake Washington. Although located in Seattle, no shippers use the canal because all of the Port of Seattle's cargo terminals are located on the Sound, thus ships have no reason to transit the canal. The canal's cargo traffic is limited to intraport barge movement of sand and gravel, but it has cost HMT taxpayers $63 million to maintain over the last ten years which, like Grays Harbor, is tens of millions more than the costs to maintain the Ports of Seattle and Tacoma shipping channels combined. On a daily basis, an average of 100 pleasure boats (see **Figure 2** below), transit the canal, accounting for about 82% of the canal's traffic. (Boaters prefer to dock in freshwater as there are no tides to contend with). Based on the number of vessels of all types that have transited the canal over the last decade (538,135 vessel transits), each vessel would have to pay $117 per transit if the maintenance costs were to be recovered from the canal's users. This indicates the nominal value that shippers are providing recreational boaters each time they pass through the canal. If recreational boaters were charged a fee based on the size of their boat, some say, it could correlate well with their lock usage and likely their ability to pay.

Figure 2. Pleasure Boaters Awaiting Free Lock Passage Through the LWSC



Source: USACE, LWSC website.

Neither of these canals is as expensive to shippers as the Chesapeake and Delaware Canal (a.k.a. the C&D Canal) which has cost HMT taxpayers over $128 million in the last decade to maintain, almost three-fourths of what it has cost to dredge the entire Delaware Bay from the Port of Philadelphia to the Atlantic Ocean. As its name implies, the canal connects the Delaware Bay with the Chesapeake Bay, cutting across the State of Delaware. The canal was built because it was thought ships would take this short cut between the ports of Baltimore and Philadelphia.

While the C&D Canal carries about 15 million short tons of cargo per year, ports along the Delaware Bay handle over 125 million short tons. The C&D Canal costs almost six times more, on a per ton basis, than the cost to maintain the entire Delaware Bay.[20]

Great Lakes Harbor Maintenance Costs

Great Lakes carriers and ports refer to a lack of adequate dredging as a crisis in their waterway system, noting that many ships are "light loading" (carrying less cargo than the ship's capacity to reduce draft).[21] Lower than normal precipitation has affected lake levels in some years. The Great Lakes Maritime Task Force, a coalition promoting Great Lakes shipping, asserts $200 million per year in maintenance funding is needed to restore the system to its authorized dimensions, but have only been appropriated about $90 million per year. While Great Lakes harbors and channels have accounted for 14% of total HMTF withdrawals over the last decade, shipping on the Great Lakes represents less than 10% of the total foreign and domestic tonnage shipped through ports subject to the HMT. Maintenance costs amount to about 60 cents per ton of cargo carried (based on 1998-2007 data) which, as **Figure 3** indicates, makes the Great Lakes system one of the less efficient waterways. Because Great Lakes shipping consists mostly of relatively low dollar value raw materials (iron ore, coal, and limestone), it does not generate much HMT revenue (in 2005, Great Lakes ports accounted for only 0.3% of the nation's total value of waterborne imports). Thus, under the present financing scheme, the Great Lakes region relies heavily on coastal port use by importers to maintain its harbors.

Wide disparities exist among harbors when maintenance costs are compared on a per ton basis, as there is little need for channel maintenance at some of the busiest ports in the country while some rarely used ports or channels require extensive maintenance. **Figure 3** illustrates this disparity among selected U.S. harbors. Harbors that handle little or no cargo may generate economic benefits for nearby communities through recreational boating or commercial fishing activity. However, recreational and fishing vessels do not require the same channel depths and widths as ships, and paying for their maintenance by increasing shipping costs can be seen as a shift of finite resources from those who pay the tax as a user fee to those who do not.

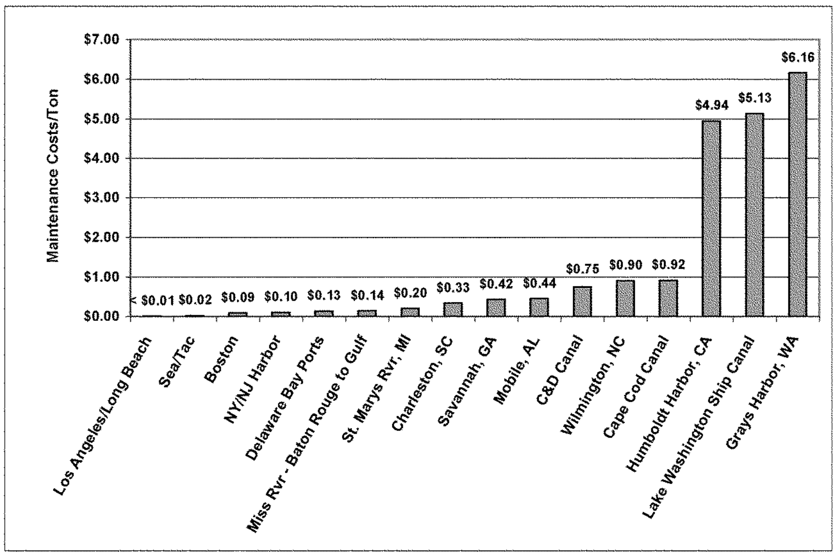
---

[20] Another canal that could be included here is the Mississippi River Gulf Outlet (MRGO) which, as indicated in **Table 2**, ranks eighth in maintenance expense. Although built to provide a shorter route to the Port of New Orleans, most ships continued using the Mississippi River channel. MRGO has recently been closed to navigation and suspected by many as contributing to the flooding of parts of New Orleans by Hurricane Katrina. This waterway is discussed in CRS Report RL33597, *Mississippi River Gulf Outlet (MRGO): Issues for Congress*, by Nicole T. Carter and Charles V. Stern. See also http://www.mrgo.gov for the latest information on MRGO's closure.

[21] For further information, see http://www.glmtf.org.

Figure 3. HMTF Expenditures Per Ton of Cargo on Selected Waterways

2003-2007



Source: USACE Waterborne Commerce Statistics, HMTF Annual Reports to Congress.

Notes: The figure for Los Angeles/Long Beach equates to $0.003/ton. HMTF Expenditures based on FY2003-2007, Cargo tonnage based on CY2003-2007.

High Use, Low Expense Shipping Channels

While significant amounts of HMT funds are spent at harbors and channels that see little or no ship traffic, says the Corps, the busiest shipping channels in the country are not being maintained to their authorized depths and widths. As mentioned above, according to the Corps analysis, full channel dimensions are available less than an average of 35% of the time at the 59 highest use U.S. harbors.[22] Most, if not all, of the busiest ports in the country generate more than sufficient HMT revenue to cover Corps O&M expenditures at their port, even at exceptionally dredging-intensive ports like those on the Mississippi River in Louisiana. While the top ten ports account for nearly 70% of the total value of foreign goods shipped through U.S. ports, these ports have received about 16% of total HMTF expenditures over the last decade. In terms of ship traffic,

[22] USACE, FY2010 Budget Justification, p. RIO-12. The budget document indicates that the Office of Management and Budget requested this analysis from the Corps to justify increasing dredging expenditures. Further details on this analysis are not available, so it is not known, for instance, how much narrower or shallower the channels are compared to their authorized depths and widths.

80% of oceangoing ships arriving in the United States call at one of the nation's twenty busiest ports, but these twenty ports, based on a rough calculation, account for less than 40% of total HMTF expenditures. As indicated above, a good portion of the HMT revenues that shippers generate are used to dredge channels used mostly by either recreational boaters or commercial fishermen, which do not pay the HMT. Given the amount of HMT collections unspent on harbor maintenance and the amount spent on shallow draft or little used deep draft harbors, a rough estimate is that only 30 to 45 cents of every HMT tax dollar paid is being spent on harbors that shippers readily use.[23]

Some might argue that to target one group of harbor users for assessing a fee and then to distribute revenues mostly, or entirely, in the case of some harbors, for the benefit of other users, undermines the "trust fund" and "user fee" concept. Moreover, since fishing and marinas are commercial enterprises and private recreational boaters (and especially yacht owners) are not indigent harbor users, it might be asked why these users could not also contribute to the cost of maintaining the harbors they use. As originally introduced, the HMT would have been assessed on commercial fishermen. An amendment exempting commercial fishing from paying the tax was agreed to during Senate committee consideration.[24] Recreational boaters currently pay federal fuel taxes and import duties, which are used, among other things, to fund boat safety programs and recreational boat docking and sewage disposal facilities, but are not used to fund dredging activity. This fund, the Sport Fish Restoration and Boating Safety Trust Fund, generates an equivalent amount of revenue on an annual basis as the HMT.

Port Cross-Subsidization: Advantages, Disadvantages

Because the HMTF provides a national pool of funds for channel dredging rather than a port specific one, naturally deep harbors subsidize shallower ports. Thus, the present funding system levels the playing field among ports with different dredging requirements. Some might contend that it draws traffic away from more efficient ports to less efficient ports, in terms of dredging costs, thereby raising the Nation's overall cost of moving goods through the marine transportation system. Cross-subsidies among ports would be eliminated if funds generated at a particular port were reserved solely for that port's local dredging needs rather than becoming part of a nation-wide fund. However, a port-specific funding system would favor busy ports over ports that are underutilized. With more ship traffic, larger ports would not have to charge as much per ship or shipment to recover dredging costs as smaller ports (for example, the tremendous difference in dredging costs per ship call between Grays Harbor and SeaTac cited earlier). Some small ports would either have to close or service only small ships. Thus, a national pool of funds provides maintenance funds to smaller ports that otherwise would be economically unviable. However, smaller ports could reduce the overland transport costs for nearby importers or exporters, thereby promoting economic development in the region. There are also river systems that have significant levels of industry along them and the inability to move bulk cargoes out of smaller ports could diminish U.S. exports. Smaller ports can also provide shippers the option of moving cargo through less congested ports. For instance, Chrysler recently announced that it would begin

[23] More precise data comparing port maintenance costs with port traffic data may be available from the Corps as part of its "Coastal Inlets Research Program," which includes development of a "Channel Prioritization Tool" with information on depth utilization by commercial shipping and cargo value estimates for each channel and a "Coastal Structure Management, Analysis, and Ranking Tool." The Corps received $2.3 million in FY2009 for this effort and requested $3 million in FY2010. See USACE FY2010 Budget Justification, pp. RIO – 14 – 16.

[24] 132 *Congressional Record* S3391.

exporting cars to Asia through Grays Harbor in Washington, in part, for this reason.[25] If not handling cargo, smaller ports can still service the maritime industry in other ways. Smaller ports can be strategically located in terms of providing a "harbor of refuge" for vessels in distress, as a base for Coast Guard search and rescue operations, or as a homeport for government research vessels. For example, the National Oceanic and Atmospheric Administration (NOAA) recently announced that it would be moving its West Coast vessels from Seattle to Yaquina Bay and Harbor in Oregon.

Legislative Activity in the 111th Congress

In the 111th Congress, several bills were introduced to either change the tax rate or how revenues from the tax are spent. H.R. 3486, H.R. 638, S. 551, and S. 1509 would repeal the tax on domestic waterborne non-bulk cargo and cargo imported from Canada through the Great Lakes for the purported purpose of mitigating highway congestion by diverting shipments from truck to water modes. Groups supporting this legislation contend that in addition to the HMT rate, the administrative burden of filing the tax discourages potential waterborne shippers, because they do not pay a separate tax when shipping by truck or rail. Others question to what extent this is true, however. Most truck shippers are not located on waterways and therefore would require a truck move to and from the loading and discharge ports to utilize waterborne transportation. These truck and cargo transferring costs could be a significant cost impediment for truck shippers to utilize waterborne transportation, regardless of the HMT.

H.R. 3447 would do away with the requirement that HMTF spending be appropriated by Congress giving the USACE more autonomy over the amount spent yearly on harbor maintenance. H.R. 4844/S. 3213 would provide a "spending guarantee" modeled after the Airport and Airway Trust Fund. The intent is to match annual spending levels with annual HMT collections. Opponents of these proposals argue that they would inhibit Congress' ability to adjust funding priorities from year to year.

H.R. 2355 would increase the tax rate to 0.4375% ($4.38 per $1,000 in cargo value) and expand use of the fund for landside port improvements in addition to the waterside maintenance performed by the Corps. Increasing the capacity of highways and railroads leading to seaports has been an issue as Congress debates reauthorization of surface transportation funding programs, but minus a federal fuels tax increase, a major stumbling block has been how to increase federal funds for surface transportation improvements.[26]

[25] American Shipper, Online, "Chrysler to Export Cars From Grays Harbor," December 21, 2009.

[26] For further discussion, see CRS Report R40629, *Freight Issues in Surface Transportation Reauthorization*, by John Frittelli and William J. Mallett.

The Obama Administration, in its FY2010 budget submission, requested that a pilot project be created to examine the feasibility of having local users finance the maintenance dredging of channels with little or no commercial traffic.[27] Congress reduced the amount of funding for this program from $1.5 million to $1.4 million.[28] The Administration requested an additional $1.5 million for FY2011 and indicated that a report documenting the pilot's program findings would be prepared.[29]

The American Recovery and Reinvestment Act of 2009 (P.L. 111-5) provided $4.6 billion for the USACE Civil Works Program, of which $2.3 billion was appropriated for operation and maintenance. A Corps Recovery Act spending plan indicates that $670 million in O&M work will be derived from the HMTF.[30]

Author Contact Information

John Frittelli
Specialist in Transportation Policy
jfrittelli@crs.loc.gov, 7-7033

[27] See FY2010 USACE Budget Justification, p. RIO-42, which indicates that the pilot project would focus on the Atlantic Coast and Chesapeake Bay. See also written testimony of Terrence C. Salt, Acting Assistant Secretary of the Army for Civil Works before the Subcommittee on Energy and Water Development, Senate Committee on Appropriations, June 18, 2009.

[28] See H.Rept. 111-278, p. 87.

[29] FY2010 USACE Budget Justification, p. RIO-45.

[30] This Recovery Act plan is available at http://www.usace.army.mil/recovery/Documents/FinancialOperationalReviewReport.pdf.